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The INDIAN CO-OPERATIVE REVIEW

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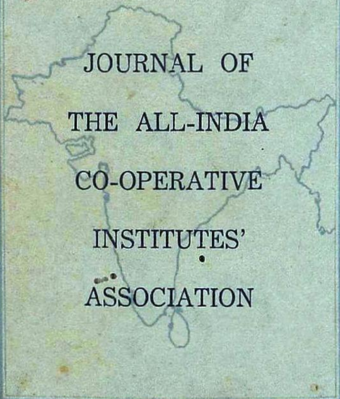

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// THE INDIAN CO-OPERATIVE REVIEW

VOL. II. JANUARY, 1936 No. 1

EDITORIAL NOTES

OURSELVES

With this issue the *Indian Co-operative Review* enters the second year of its career. It has been very well received not only by our co-workers in the co-operative world but by the enlightened public in general and the academic economists in particular. This is a matter of not a little satisfaction to us, and it inspires in us hopes of better service in future. We are, however, constrained to say that from the financial point of view, the venture has been so far not quite a success. Indeed last year's accounts reveal a deficit, even without making allowance for any remuneration of editorial services, and it could be made up only by the handsome contribution of the Indian Provincial Co-operative Banks' Association. Co-operation is not philanthrophy and we appeal to co-operators in this country to shoulder each some responsibility in placing ere long this first and only all-India co-operative journal on a sound business basis. The bigger societies and banks, the numerous colleges offering courses in economics and co-operation, all libraries, Departments of Co-operation and public institutions interested in the economic development of the country are invited to enlist themselves as subscribers.

Readers of the Review will notice a slight change in the outward form of this issue from last year's. The slight reduction in size to the standard journal size has been long pressed on our attention and we trust it will be welcome as it is really more handy. As for contents inside, the same order is maintained; only we have added a section on *Co-operative News* and another which gives the leading *Contents of other Co-operative Journals* at home and abroad, which may be of interest to our readers. We aim, as before, to focuss attention on one major problem in every issue, while also including a few articles on other topics of interest. We started with agricultural credit, then had consumers' co-operation, co-operative education, co-operative marketing, and in the present issue have urban banks. In the next issue we propose to concentrate attention on co-operation for cottage industries.

THE LATE KING-EMPEROR.

When a few months ago we congratulated His Majesty King George V, on behalf of the co-operators of India, on the occasion of the celebration of the Silver Jubilee of his accession to the Throne, we expressed the hope that His Majesty would be blessed with long life and that it would be his happiness not only to see the Co-operative Movement in India successfully emerge from its difficulties and expand and bear fruit for the benefit of the people of this country but also to see India herself emerge from her present state of dependency into a self-governing dominion, enjoying *Purna Swaraj*, within the British Commonwealth. But alas, it was not to be. We are deeply grieved that His Majesty King George V, who all through his reign evinced great interest in the political, social and economic advancement of India should have passed away at this juncture just on the eve of the inauguration of Constitutional Reforms in India. His late Majesty had immense faith in the potentialities of the Co-operative Movement. In his Coronation address to the princes and people of India in 1911, His Majesty said: "If the system of Co-operation can be introduced and utilised to the full, I foresee a great and glorious future for the agricultural interests of this country." We hope that this message will be long remembered in India and that co-operators in India, official and non-official, will derive genuine inspiration from his late Majesty's vision.

On behalf of the co-operators of India, we sent the following message to the Private Secretary to His Majesty the King:—

"On behalf of the Co-operators of India, we offer our sincere condolences to the British Royal family on the demise of his late Majesty, who gave unforgettable expression to his great faith in Co-operation at the Coronation Celebration, 1911, and who was a great factor in national and international co-operation; and also offer our respectful homage to His Gracious Majesty Edward VIII on his accession."

THE LATE MR. G. K. DEVADHAR.

The Co-operative Movement in India has suffered an irreparable loss by the death of Mr. G. K. Devadhar, C.I.E., at Bombay, on the 17th November 1935. From the passing of the Co-operative Societies' Act in 1904 up to his death, he was one of the most devoted workers in the cause of Co-operation. He was prominently connected with the Bombay Provincial Co-operative Institute, of which he was Vice-President for a number of years and also with the Bombay Provincial Co-operative Bank, of which he was a Director till he died. He visited Europe and studied the Co-operative Movement in England and Denmark. He was a member of the Mysore and Madras Co-operative Enquiry Committees

and also President of the Travancore Co-operative Enquiry Committee, which published its report in 1934. At the request of the Government of Cochin, he also conducted an enquiry into the Co-operative Movement there, but he died before he could submit his report. He was a member of the Imperial Council of Agricultural Research on which he represented the co-operators of India. As a member of the Indian Central Banking Enquiry Committee, he evinced great interest in the work of that Committee, especially in regard to matters connected with rural economics and co-operation.

He was a great social worker and the Poona Seva Sadan, which he founded about 25 years ago jointly with Mrs. Ramabai Ranade, is a standing monument of his genius, zeal and powers of organisation. The most fitting tribute which co-operators of India can pay him is to cherish and practise the ideals of his life, which is a shining example of selfless devotion to social service.

CO-OPERATIVE ENQUIRY COMMITTEES IN INDIAN STATES

Indian States have been one after another—Travancore, Mysore, Hyderabad—appointing Committees of Enquiry to take stock of the Co-operative Movement within the State and to explore the possibilities of remedying defects and developing new lines of activity. Such periodical stock-taking is not merely fashionable—because the British provinces have been doing it—but is absolutely essential. We wish here to draw attention to two important points as regards the constitution and working of such committees. It would be a very desirable thing to follow the practice of associating in each of these committees of enquiry one or two eminent co-operators, official or non-official, belonging to a British Province or a sister State. Even the Madras Committee had Mr. Townsend of the Punjab as its member and President. The Travancore Committee had the late Mr. G. K. Devadhar as its President. But the Committee recently appointed in Mysore, the personnel of which may be seen published elsewhere in this issue, is entirely composed of Mysore citizens, without a single foreign element. We do not take any exception to the inclusion of any one of the members thereof and indeed it is difficult to think of a more worthy Chairman. But surely the Committee would have gained by the addition of one or two non-Mysorean co-operators who could assist the Committee at every stage of hearing of evidence and of discussion of issues and help the making of a comparative study of several problems. In fact the first Mysore Committee of Enquiry had Sir Lallubhai Samaldas of Bombay as its President and a few other British Indian members. No better testimony to the value of the findings of that Com-

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mittee need be required than that bestowed by the Government of Mysore in their communique appointing the present Committee.

The other point is with regard to the working of these Committees. There has been a tendency, at any rate in Travancore, to throw too much of the burden on the Chairman. This is neither fair to the Chairman, however eminent he may be, nor to the members who ought to take up the work in earnest and share the responsibility not merely in touring and hearing evidence but in discussing and drafting the report. There was, for instance, inordinate delay in the submission of the Report of the Travancore Committee because of the Chairman's illness—though when it was issued finally it had all the merits associated with every work of Mr. Devadhar.

MADRAS LAND MORTGAGE BANKS

Madras may well be proud of her lead in land mortgage banking. Her achievements in the short span of seven years have aroused the admiration of sister provinces, wherefrom many go out to study the working of the Central Land Mortgage Bank and some of the pioneer primary banks. At the recent Conference of Land Mortgage Banks, held in Madras, the proceedings of which are published elsewhere, Sir M. Ramachandra Rao pointed out that more than Rs. 50 lakhs of debentures have been issued and these are now being sought after by big Insurance Companies and by Local Boards as well as by individuals wishing to invest funds in such Trustee securities guaranteed by the Government, which has now been pleased to raise the limit of guarantee from Rs. 50 lakhs to Rs. 100 lakhs. Funds are now forthcoming at as low rates as 4 and 3½ per cent., the benefit of which is being passed on to the ultimate borrowers, allowing but a small margin for the central and primary banks.

Creditable as are the achievements, the problem of long-term credit has just begun to be tackled, and the number of agriculturists benefited is an infinitesimal fraction of the number crying for relief. The demands of several who apply cannot be met because of the precautions that have been prescribed. Nor are we satisfied that where loans have been granted they help to increase the income of the borrower. A plan of productive credit has yet to be drawn up, which is perhaps difficult in a time of depression. The most agitated subject of the Conference was that of paying for the services of the staff of the Co-operative De-

partment appointed for the investigation of the loan applications. Their services were not paid for by the Central Land Mortgage Bank hitherto, but now a contribution has been demanded by the Government on the ground perhaps that it is making profits and declaring dividends to shareholders. Much may be and has been said on either side. We ourselves are anxious, as co-operators, that our institutions should be independent of State or any other external aid in any form. But these are the obligations of the Government as a Trustee which it cannot shirk in the interests of others than the Bank. To what extent the cost of services should be shared between the State and the Bank, we feel, it is premature to discuss now, when the Reserve Fund in relation to the transactions of the Central Bank is so slender. We have therefore no hesitation in supporting the eminently reasonable resolution passed by the members present requesting the Government not to levy any contribution on the understanding that the amount demanded by way of contribution be added to the Reserve Fund. We are glad to note that the Chief Minister, the Raja of Bobbili, in his opening speech assured that a liberal policy will be followed by the Government.

THE CONGRESS AND CO-OPERATION

The celebration of the Golden Jubilee of the Indian National Congress on the 28th December last, which is an outstanding event in the history of India's constitutional struggle for freedom, cannot but be of interest to co-operators, for the Congress not only strives for the attainment of political *Swaraj* for India but also aims at achieving the social and economic emancipation of the masses. But hitherto the Congress has not evinced much interest in the Co-operative Movement as a factor in the social and economic organisation of the masses. We attribute this to two reasons. Firstly, purely economic programmes as contradistinguished from political programmes have till recently occupied a very subordinate place in the activities of the National Congress; and secondly there is a general impression among Congressmen that the Co-operative Movement is an official or semi-official activity which does not afford scope for non-official initiative or freedom of economic planning suited to our national interests. If the Movement is largely in official hands to-day and not sufficiently democratised, it is mainly due, in our opinion, to the indifference or incompetence of the bulk of the people for whom it is intended. Co-operation in India, therefore, wants men and women who preach true socio-economic ideals and create an atmosphere for their widespread acceptance.

Ever since Mahatma Gandhi made his constructive programme an integral part of the Congress activities and the adoption of an economic programme by the Karachi Congress, the attitude of the Indian

National Congress towards economic movements like Co-operation has been undergoing a steady change. We hope and trust that not only the Indian National Congress but also all other political organisations in the country will evince increasing interest in the Co-operative Movement and use it as an instrument for national reconstruction.

We would like to draw the attention of our readers to the contribution by Dr. Pattabhi Sitaramayya on *The Co-operative Movement and the Economic Programme of the Congress*, which appears in this issue. The article is a useful survey of the methods whereby Congress organisations and co-operative institutions may fraternise to promote the economic ideals common to both and by methods appealing to both. We wish to draw particular attention to his suggestions regarding the scheme for the promotion of co-operative land-owning among Harijans. From the manner in which the learned Doctor, who by the way is the Congress historian, has treated his theme, we feel that, in his opinion, the Indian National Congress will not accept Socialism as the right solution for our socio-economic maladies; nor does Co-operation accept that solution. Co-operation has pitched its camp between the Liberal School of Classical Economists on the one side and the Socialists on the other. Its definite aim is to bring about the socio-economic emancipation of the masses by methods which radically differ from those of Capitalism as well as of Socialism and aims at achieving such emancipation through associated effort of the most equitable kind, without any violent change in our social structure.

CO-OPERATIVE CONFERENCES AT INDORE

The Central India, Rajputana and Gwalior Co-operative Conference and the Holkar State Co-operative Conference were held at Indore in the last week of November 1935. His Highness the Maharaja Holkar of Indore opened the former Conference and the latter was opened by Wazir-ud-daulah Rai Bahadur Sir S. M. Bapna, Prime Minister of Indore. His Highness's exposition of the aims of the Co-operative Movement was both lucid and accurate. His Highness very rightly pointed out that inequality of distribution of wealth was the most serious problem from which our national economy was suffering and that timely realisation of this fact with a view to bring about a redistribution of wealth without any violent change in the social structure must be the concern of the Governments and the public. His Highness evinced great solicitude for the welfare of the agriculturists who form bulk of the population of India and remarked that no country had ever achieved big things with a weak peasantry. Sir S. M. Bapna said that the real value of the Co-operative Movement lay in making society co-operation-minded and it was that mental attitude that made higher

forms of co-operation in the social, religious and political spheres possible. He assured the public that His Highness's Government had great faith in the Co-operative Movement and would afford all possible facilities for its growth.

We publish in this issue extracts from the presidential addresses of Mr. V. Ramadas Pantulu and Dewan Bahadur S. Aravamudu Iyengar respectively at the two Conferences. Both of them had drawn pointed attention to the moral aspect of the Movement and struck an optimistic note about the future of the Co-operative Movement.

In Her Highness the Maharani Saheba Holkar of Indore who opened the new imposing and well-planned building of the Indore Premier Co-operative Bank, the Co-operative Movement has a genuine friend and benefactor. A very large number of ladies actively participated in both the Conferences and the impression left in our mind was that women played a really important part in the Co-operative Movement in the Indore State. This is a welcome feature and we commend to the other provinces and States the example of the women of Indore.

The Urban Bank Movement is fairly strong in Indore and there are about a score of urban banks in the Indore City itself, and the problem of Urban Banking naturally occupied an important place in the deliberations of the Conference. Though the size of the Co-operative Movement in the Holkar State is smaller than that in Gwalior, Indore seems to be more progressive in regard to the development of co-operation than any other State in Central India or Rajputana.

It was suggested at the Conference that the Indore Co-operative Central Association should be made the Central Co-operative Institute for Central Indian States and that the Premier Co-operative Bank at Indore be similarly made the Apex Co-operative Bank for Central India. There is vitality in both these institutions and the suggestions in regard to their being made the apex institutions for Central India is well worth further investigation.

The Conferences held at Indore seem to have attracted attention in Central India and Rajputana and certainly gave an impetus for inaugurating the Co-operative Movement where it did not exist and to strengthen it in localities where it was weak. We visited the neighbouring States of Dhar, Dewas Junior and Dewas Senior at the request of some of the official and non-official delegates who attended the Indore Conferences and discussed with the authorities of those States the possibilities of organising Co-operative Departments in those States. The impression left in our minds was that the rulers of those States were favourably inclined towards proposals for the introduction of Co-operation in their States. We await the development of the Co-operative Movement in Central India and Rajputana with interest.

PROBLEMS OF URBAN BANKS

Half the number of contributions to this issue will deal with the working of urban banks in various parts of India and the problems raised by them. It would be seen that without any special aid by the State and despite an embarrassing association with financing and educational central institutions, in which rural elements and interests predominate, these urban banks have got on much better than rural societies—judged by the number of members and working capital attracted, loans granted and above all by the recoveries of dues even in these days of depression. Thrift has been promoted by devices partly indigenous, rates of interest offered for deposits and demanded for loans have been brought down, rules have been relaxed during the depression without sacrificing financial soundness; above all the banking habit among citizens has been cultivated—an achievement which, in the view of the Maclagan Committee, would be the only justification for the encouragement of these banks, whose numerous members could have no mutual knowledge and exercise no mutual control and therefore were said to be lacking in "co-operative character".

This prejudice against large size has persisted in India, though in the West large size is a matter for pride and it has become inevitable with the prevailing economic forces. No doubt it gives rise to difficulties in deliberation at General Body meetings and in the actual administration. The real remedy lies in a revision of the constitution of large societies so as to afford, on the one hand, opportunities for closer contact among members at local meetings in divisions or sections into which each large society may be divided and, on the other hand, to set up a Council of Representatives at the centre to discuss the affairs of the whole society, without fettering the discretion of the Directorate in matters of internal administration.

It is not merely large size but education of the type that is in vogue that often makes members hypercritical and suspicious, when generosity and good will are most wanted. The education of the members in fundamentals of the movement can alone be the corrective of such an attitude of mind. With the permeation of such education one may not hear of societies designed to serve traders and middlemen and speculators in the share market, whom the Co-operative Movement is out to eliminate. Nor will employees in co-operative institutions be treated by Directors in any other spirit than that of comradeship in service. Urban banks and societies which are now isolated need to come together not only for purposes of audit and supervision but also for the organisation, with their ample resources, of courses of technical instruction to employees on the one hand and of high class co-operative propaganda among the members, on the other.

THE CO-OPERATIVE MOVEMENT AND THE ECONOMIC PROGRAMME OF THE CONGRESS

BY

DR. B. PATTABHI SITARAMAYYA,

Author of the History of the Indian National Congress.

There was a time when the Congress and the Co-operative Movement were regarded by superficial critics as wholly standing apart from —if not altogether opposed to—each other in their outlook as well as *modus operandi*. The impression that prevailed in the early days of non-co-operation was that the Co-operative Movement could afford no scope for the constructive activities of non-co-operators, as it was intimately bound up with the Local Government in the matter of administration and the Central Government (up till then) in the matter of legislation. And the Khaddar societies whose incorporation was sought under the Co-operative Act, were looked upon as in a way polluted. But fortunately wiser counsels prevailed ere long and the exemption from stamp duty and registration fees and audit charges was considered not so much as a dole from the Government to be avoided, but as the due of the people which should not be thrown away. Nevertheless it cannot be said that the Congress and the Co-operative Movement *mixed* with each other very much. There was a certain viscosity about the two substances, rather than a solubility of the one in the other. The Khaddar societies and banks registered by the Co-operative Department were registered somewhat grudgingly at the outset and the rigid demand by the officers that every loss should be immediately made up by fresh capital left no alternative for the societies which were bound to be losing concerns in the initial stages, to lead a moribund life for a time and face a premature death later.

Times have changed, and with them has changed the outlook of the Congress. But whether the outlook of the Co-operative Department has changed is more than we can tell. The Congress is still looked upon with a certain suspicion. Its constructive activities are regarded as smacking of politics. Communal unity and Harijan uplift are deemed as planks in a political platform. The anti-drink propaganda cannot but offend a Government which counts on large excise revenue to balance its budget. As for Khaddar, a grudging acknowledgment of its beneficence is occasionally made, but a Government that is devoting an appreciable measure of its time and attention to the promotion of hand-weaving is not able to rise to the

MAHAMAHOPADHYAYA
Dr. U.V. SWAMINATHA IYER LIBRARY
MADRAS

level, or lower itself to the depth, of hand-spinning as well. If the Co-operative Movement can afford shelter to the weavers of the Presidency by a central organisation and help them to build up their own capital, purchase their own stocks and ensure to themselves a return of their own profits, it passes all understanding as to why it should be chary about the application of the same principles and the offer of the same facilities to the craft of spinning. With spinning would come the village industries. The Co-operative Movement may render yeoman service to the village arts and crafts of India which are dead or dying. When the Congress undertook to revive them, Government were suspicious and issued the Hallett Circular. Time and patience have dispelled, it is to be hoped, a measure at least of that suspicion. Can they not see that to ask the village smith to make his nails and the village potter to improve his pottery has no ulterior motive behind it and is wholly inspired by the innocent desire to revive the simple life of an earlier era ?

It is, doubtless, true that next to agriculture, weaving and spinning are the most widely popular crafts. They are popular because they are universal. They are universal because they supply the raiment of the people as agriculture supplies the food. And food and raiment are the two component factors of a definition of Swaraj. But next to the need for food and raiment, there lives in the human breast a longing for beauty and self-respect, which only the indigenous crafts can satisfy. Lord Carmichael opened a bazaar in Calcutta for the village crafts of Bengal. Why may not we in Madras open a co-operative market for toys of Chennapatna and Panrutti, for the art treasures of Kondapalli and Nakkapalli, for the carpets of Ellore and the palampores of Masulipatam, for the ivory works of Vizagapatam and Travancore and the sandalwood glories of Mysore, for the horn cranes of Parlakimidi and the wooden carvings of Udayagiri ? The Co-operative Department should be proud to erect a structure aside of the Victoria Technical Institute in Madras another structure where the marvels of Indian craftsmanship—the poems in marble and metal, in ivory and horn, in wood and colour—may be exhibited not as specimens of a museum but as commodities of an emporium, so as to help the craftsmen of Agra and Moradabad, of Purulia and Vishnupur, of Lucknow and Patna—yea of every part of this vast continent of India.

Nor need the Co-operative Movement always cater to the commercial needs of the populace. They have a soul and an intellect. Their education is as much a legitimate charge of the co-operator as of the non-co-operator. One need not be a rebel to undertake popular education. The balanced mind and the sedate thinker has an equal responsibility in the matter. The abolition of drink and the uprooting

of untouchability are the needs of the hour. In the past temperance work was undertaken on a co-operative basis. Land has been cultivated and the cultivators have been charged to be abstemious under the inspiring teachings of sympathetic co-operators. Co-operative Education and Co-operative Sanitation have somehow receded into the background. The health and baby week is no doubt gaining in popularity, but the official auspices under which it has had its inception has somewhat made its progress artificial and at times mechanical. What such beneficent movement requires is the personal element such as the members of the Servants of India Society have imported into their cherished tasks. Who can say that the Seva Sadan of Poona which owed its birth to the originality of the late lamented Devadhar has anything of an artificial or mechanical nature about it ? It is a soulful institution and likewise is the Women's University of Dr. Karve. It is such institutions that the Co-operative Movement must encourage. Of course the initiative must come from the people and the Co-operative Department should extend its auspices and support to the movements so inaugurated. This requires men of outlook and imagination both on the non-official and the official side. Mere rigidity of discipline or correctness of finance goes but a short way in initiating such constructive efforts. Financiers and diciplinarians, auditors and inspectors are all necessary even for such social regeneration, but they alone cannot start it.

Special facilities must be contrived to help the Harijans. For long have they been merely left to quaff up the turbid waters in tail-end channels of Co-operation, or been thrown on the charity of Christian Missions. They should either be incorporated into the regular Co-operative Movement or if the Department observes untouchability in its own turn, it must carve out first-class institutions for the exclusive service of these forlorn folk. What the Harijans want in particular is co-operative land-owning. The land that was given to these landless Harijans was charged with the condition that it could not be alienated for ten years. Yet, if a census is taken to-day of land given by Government to them less than ten years ago, the truth will be obvious, namely, that most of it has changed hands under various guises which follow in the train of legal barriers and are intended to circumvent them. Land should not be assigned to the Harijans individually, for that would only put temptation in their way to capitalise its value and convert it into cash. At best, even a well-meaning attempt to cultivate it would involve the poor devils in indebtedness which would consume the wretched land and its wretched owner. Land must be assigned to a co-operative society of groups of Harijan families who are only lessees of the Society which owns the land. Each individual should have a living interest in cultivating the land but cannot alienate it.

After the land is fully reclaimed, ownership may be passed to the individual members. In the meantime cultivation would be carried on, on a co-operative basis, with joint bulls, seeds and implements. Such a scheme was suggested to the Madras Government when the new Montford Ministry was formed in 1921, but it was summarily turned down. Perhaps it appeared to be smacking a bit too much of socialism.

There are other ways of assisting the Harijans by constructing co-operative colonies and co-operative house-building. As things stand they have no dwelling sites and cannot either extend their ancient little plot of village site, nor acquire any outside its boundaries. The one problem that confronts the Harijan to-day is the problem of where to build a hut,—not how to build it—and this complex problem can only be solved by indenting on the resourcefulness of the Co-operative Movement.

A rapid and cursory study of the problem brings to light so many of its aspects in respect of which Co-operation offers a possible solution. How shall we then utilise this ray of light ? We should win the confidence in the first place of the Congress in the Co-operative Movement. The recent officialisation of the Movement, which had been an object of suspicion all along, has only helped to intensify the feeling of distrust in it engendered in the minds of Congressmen. On its part the Co-operative Department must proffer its help to the Congress so as to enable it to bring its constructive activities under the auspices of the Movement. Therein lies a guarantee of stability as well as a certainty of a sense of responsibility. On the side of the Congress, the leaders of the Congress must recall the undeniable fact that even in Russia, in the red hot days of Bolshevik Revolution, the two institutions that were left intact were the co-operative institutions and the theosophical societies. It was the sense of equality that forms the basis of the two sets of institutions that must have endeared them to the vandalistic forces in Russia in 1917 to 1921. If that is so, why should the Indian National Congress fight shy of the Co-operative Movement in India ? Even if its quasi-official character is an aspect which engenders suspicion in us, the Movement, we are sure, will be restored to its former integrity and independence, the moment that earnest and well-meaning Congressmen apply their minds and devote their time to a study of the problem nearest to their own hearts, namely, the problem of Rural Uplift.

Rural Uplift can no more be achieved by uttering well-mouthed phrases any more than Swaraj can be attained by passing sonorous resolutions. Day-to-day work, hard work in the slush of villages, has to be done and to do such work systematically an existing organisation may profitably be taken advantage of. For this purpose, a liaison must

be established between the Congress and the Co-operative Movement. There are doubtless half-a-dozen men in the front ranks of public life in each province who are equally interested in both Movements. Their good offices may be employed in dispelling doubts and suspicions and in bringing the two wings together. Such a fraternisation will necessarily throw new light upon the best manner of promoting the ideals common to both by methods appealing to both. The conclusions tentatively reached by such joint deliberations may be placed before the respective bodies, the Congress committees on one side and the Co-operative Conferences on the other. There will then come into existence a new momentum in the land for which the Congress will contribute the dynamic force and the Co-operative Movement will contribute the necessary mass. And this co-operative mass *into* (×) Congress velocity will yield the required momentum which will propel the Movement of Rural Reconstruction, Moral Regeneration and Economic Uplift, beyond all expectation.

The Co-operative Movement is at least open and ideal in its aims and objects. It is national and not sectional . . . Our intransigeants and extremists of all parties are not hurt or wounded by their adhesion to the co-operative ideal.

A. E. (G. W. Russell).

DANISH CO-OPERATION AND THE AGRICULTURAL CRISIS.

BY

MISS MARGARET DIGBY,

Secretary, Horace Plunkett Foundation, London

Denmark is justly famous as the country which surmounted a great economic and technical crisis through co-operation. It is one of the few countries in which a peasant economy has survived the strain of competition with large scale mechanised agriculture overseas and has lived on to the present day, not as an exotic sheltered behind tariffs and nourished with bounties, but exposed to all the blasts of international competition. Moreover, the peasant life that has gone with it has been lived on a plane of culture and prosperity which few even of the most sedulously protected countries can rival. The story of the Danish agricultural revolution has often been told. Most co-operators, at least, know how in the latter half of the 19th century Danish mixed farming was threatened by the cheap produce of the American continent and how instead of throwing up a barricade of tariffs or abandoning agriculture for industry, the Danes set themselves to devise an agricultural system so efficient that it would not only compete successfully with the overseas producer but would even throw open the land of Denmark to an ever large number of free and prosperous peasant cultivators. This end was achieved through specialisation in dairying and the allied industries of pig and egg production, and through the application of co-operative methods to all branches of agricultural business.

For nearly two generations the miracle of common sense worked. Now once more a crisis has come severe enough to threaten Danish agriculture and the foundations of Danish national life. Danish agriculture has been built, and for years it has seemed built unshakably, on two things—a prosperous and growing industrial population in Great Britain and, to a lesser extent, in Germany and a free access (relatively free in the case of Germany) to both these markets. These conditions exist no longer. Industrial populations have ceased to be prosperous or to expand while more and more Germany and Great Britain are reserving their home markets for the home producer. To the Dane his home market—consisting of little more than the city of Copenhagen—has never been important.

Selling in a market where prices were high, either through prosperity or, during the war years, through scarcity, the Danish people developed a highly capitalised production. Returns justified almost

any expenditure which would increase the output of the limited Danish acreage and the relatively unfavourable Danish soil and climate. The result of combining capital with brains was the much admired technical development of the last fifty years—scientific breeding and feeding, use of artificial fertilisers and imported feeding stuffs, introduction of machinery and the general excellence and order of farm buildings and appliances. Further, farming was recognised as a profitable and consequently attractive occupation. A demand for holdings arose and large estates were broken up, especially just after the war, sometimes privately, sometimes by government. For many years indeed the State had deliberately aimed at increasing the number of peasant holdings. In addition, many farms changed hands, farmers retired and transferred their land to their sons in return for a money payment; childless men sold their holdings to strangers. To a very large extent all these transactions were carried out on borrowed capital—a perfectly justifiable course if only the Danish farmer could have relied on the continuance of free trade and industrial prosperity. No co-operative credit societies exist in Denmark on anything like the Indian or German model. Their place is taken by village savings banks, which are not purely agricultural in character and which are occupied rather more with deposits than loans. There are also semi-private credit institutions for mortgage loans which, though not co-operative, are reputably run and have in some degree a mutual character and a majority of farmer-investors. In addition, new holdings acquired through the government or paid for on an instalment plan and so may be said to have been acquired on capital borrowed from the State.

The Danish farmer was caught by the slump in its cruellest form. Entirely dependent on world markets, he had to face an unprecedented fall in prices coupled with a growing measure of exclusion from the markets which he and his predecessors had built up by their own skill and industry. No hopeful alternatives presented themselves either at home or abroad. At the same time, working costs were high and were coupled with a heavy burden of mortgage charges and a fairly high level of taxation.

What was the effect on the Danish farmer and his organisations? As the crisis developed, it is not surprising to find that there was a slowing down in the payment of farm interest, loan instalments and taxes and an increase in the average credit (formerly one week, now three) outstanding in societies selling agricultural feeding stuffs. The State intervened as early as 1933 to reduce taxation, to suspend for two years all payments due to credit institutions, a State guarantee being given for ultimate repayment, and to reduce the rate of interest on such loans from 4 per cent. and 5 per cent. to 3½ per cent. In estimating the

benefit of these provisions it must not be forgotten that the principal investors in the credit institutions are the village credit banks, which in turn are based on farmers' deposits. At the same time the farmer did what he could to cut down the costs of production. The use of imported feeding stuffs was reduced, tillage was increased and milk output was allowed to fall through a reduction in feeding and probably also a reduction in the number of cows. Fewer young animals were reared. Many farmers, of course, also fell back on their savings to tide them over the bad years.

The position of the farmers' co-operative societies has been somewhat different. Danish co-operative societies, with the exception of a few urban consumers' societies, are organised on a basis of unlimited liability. At their formation not even a nominal subscription was required from members. Fortified by their unlimited liability, they were able to obtain all the necessary capital on loan from private banks, a loan which was gradually repaid out of profits. There was no State aid, and at no time did the the bank exercise any control over the borrowing society. Later, a special co-operative central bank was formed to promote co-operative trade, but it never played more than an auxiliary part. With so flexible a system of finance and with the justly famous efficiency of its management, the Danish co-operative movement, as a business institution, was able to withstand the strain of a world price crisis without a crack. If its aims had been merely commercial and self-sufficing, it might perhaps have continued to function unmodified. Its purpose, however, was not a business success, but the continued prosperity of its farmer members, and here it was called on to play a national part.

The three main products of Danish agriculture are butter, bacon and eggs. All three have been affected not only by the fall in prices but also by the prohibitive German tariffs and the British tariffs and quotas which, though milder in themselves, affect a larger volume of produce. As early as February 1932, an *ad valorem* duty of 10 per cent. was imposed on all Danish imports into Great Britain, with the exception of bacon and ham. In the following November a temporary bacon quota was imposed by Great Britain in connection with the Ottawa Agreements. Danish imports were considerably reduced. In April 1933, the Anglo-Danish Trade Agreement was signed, by which it is provided that for three years there shall be no duty on bacon or ham and that the quota for these commodities shall not be less than 62 per cent. of the total permitted foreign imports. A bulk total was also fixed for butter and eggs. In November 1933, the English Pig and Bacon Marketing Schemes came into force. In the first months of the schemes the estimated supply of English bacon pigs was greatly exceeded and

the Government was obliged to restrict foreign, that is largely Danish, imports. A cut of 16 per cent. was imposed in February 1934, but was somewhat relaxed a year later. In the summer it was announced that from 1936 imports would probably be increased, subject to a small levy to be used for the assistance of the British bacon industry.

To meet such a restrictive and, it must be admitted, fluctuating policy in England, very careful organisation was necessary on the Danish side. For some time a Union of Bacon Factories had existed for advisory and general purposes. In November 1932, it was laid down that all bacon exported to England must be sold through the Union, which thus became the agent of 62 co-operative and 23 private factories. All these surrendered their own connections, though everything was naturally done to leave channels of trade as undisturbed as possible. Bacon was purchased at a fixed weekly price and the full quota sold week by week to England, the remainder being disposed of, frequently at a loss to other countries. Home sales were unaffected.

Such a scheme would have been financially unworkable without provisions for price equalisation and, even more important, for limitation of supply. The first was achieved by a levy of 2 Kr. on every pig slaughtered, which was used to make the price of all exported pigs up to the English level. Reduction of output was applied in the first instance to the factories, the quota being allocated weekly amongst them on a basis of the previous week's killing, together with stocks held at the factory. Cuts were severe, sometimes amounting to as much as 50 per cent. and in the first three months of 1933 total output amounted to little more than three-quarters of the total for the same period in 1932. The sacrifice, however, was justified by a rise of nearly 50 per cent. in the price.

Control of the factories could not, however, have been sufficient if the individual farmer had been left unfettered, and in April 1933, a figure was worked out for the permitted sales of each of the 220,000 Danish pig farmers. The figure was based on 18 separate factors, including the previous year's production, value and area of farms, cows kept (4 pigs to one cow was considered a suitable ratio), skim milk available, etc. A provisional reduction based on rough calculations was enforced in the spring to stem the rush of pig production, and the full scheme came into operation toward the end of the summer. Tickets were issued for every authorised pig, and without a ticket no pig was accepted at full price by the factories. Farmers were free to produce more pigs, but with the knowledge that they would only get half price for them. In this way, an orderly reduction of pig production was secured almost entirely through co-operative machinery with a minimum of State authority in the background. It was hoped at first that a

reduction of 20 per cent. might be adequate. Actually the reduction has been from 5.5 million animals to 3 million or over 43 per cent., but at the same time prices have so far risen that it is believed almost the same returns are received on the smaller output.

No steps have yet been taken to regulate the dairy or poultry industries, but with the known trend of British agricultural policy and the approaching termination of the Anglo-Danish Agreement in April 1936, it is not improbable that similar co-operatively-adjusted restrictions will not have to be carried through. As might have been expected, the Danish co-operative movement has proved itself equal to dealing with the mechanical problems of the crisis. The position of the individual societies is sound and there has even been a healthy increase in co-operative undertakings, especially consumers' societies. The loyalty of members, the experience of committees, cheap and elastic finance have all contributed to this result, and something must also be said for the inter-locking of co-operative business which allows, for instance, the local requirements society which has difficulty in collecting a debt, to apply to the creamery of which the defaulter is a member and to claim payment from the milk money due to him. Co-operative societies, moreover, exist essentially on a basis of commission for services, and provided the value of business passing through their hands does not fall so rapidly that they cannot adjust their running costs to the new conditions, high or low price and large or small output should be relatively indifferent to them.

Such considerations, however, can never be a matter of indifference to the farmer, on whom, ultimately, falls the full burden of lowered prices and reduced output. Limitation of output may have been loyally, but it has not been willingly, observed, and as recently as August 1935, a surprised world heard that the Danish farmers, hitherto deemed the most peaceable and contented of mortals, had gathered 50,000 strong at the palace of Amalienborg, to present to the King a petition for the relief of the agricultural population. The survival of the Danish co-operative movement may not be in doubt; it is the future of the Danish farmer, or rather of the Danish dairyman-pig-keeper that hangs in the balance. In the early days of the crisis that future was held to depend on three factors—the costs of production, the discovery of outlets other than the British market and the level of world prices. Something has already been done, not least by co-operative means, to reduce the costs of production, and there is room for expansion in the membership both of agricultural requirements societies and of rural consumers' societies. In spite of such possibilities, it is still regarded in Denmark as more than doubtful if the co-operative organisation of one country, however well-developed, is capable of reducing the combined living and produc-

ing costs to a level which would make production profitable at the new world level of agricultural prices. The search for outlets alternative to the English market has not proved very hopeful, since wherever something above the world price prevails, it is only behind a tariff or other barrier too high for Danish produce to surmount with any profit. The sale of pig meat in European markets is still definitely subsidised from the English price. Something, it is true, has been done with the home market which is relatively free from foreign competition and where prices are fairly high and will probably, though with reluctance, be forced higher in the interests of home-grown corn and dairy produce. The Danish consumers' co-operative movement has also done something to facilitate the sale of home grown produce, and a proposal was put forward for the opening of special stores for the sale of agricultural goods. But the consumers' movement is strongest in the country precisely where no one needs to buy such produce.

There remains the crucial question of the level of world prices. During the last three years these have shown little sign of returning to their old level. Three years ago a Danish authority prophesied that without such a readjustment Danish agriculture could not survive more than two years in its present form. That period has already been exceeded and there are signs that Danish agriculture is once more on the brink of a revolution, commercial, technical and probably also fiscal. Already there is a move towards market gardening and more intensive agriculture. In 1934 the President of the Royal Agricultural Society of Denmark, wrote :—" A number of measures aiming at economic self-sufficiency......will be applied partly by agricultural organisations, partly by the State and partly by joint action. The number of milch cows will be reduced by 15—20 per cent. Pig-breeding will be regulated and the import of feeding stuffs such as maize and corn reduced as far as possible by increased production of home-feeding stuffs. A rise in the price of agricultural produce in the home market by means of regulations is also proposed, and a series of measures are to regulate and reduce agricultural debt by the lowering of interest rates and the granting of a period of respite to farmers in serious difficulties. Restriction on foreign imports of all kinds must be applied."

Danish reliance on internationalism and free trade, triumphant for so many decades, has at last been undermined, but if the Danes reluctantly enter that system of closed national economy to which nation after nation is submitting, they at least carry with them the tradition and the machinery of co-operative service and co-operative discipline, while the good wishes of all who in the past have learnt from their example will go with them in their new contest with adversity.

CO-OPERATION IN PALESTINE

By

Dr. Gyan Chand,

Patna University

The Co-operative Movement in Palestine has some distinctive features of its own which make it different in several respects from similar movements in other countries. Elsewhere co-operation has almost invariably been a method of self-defence adopted by the small man against the gigantic forces of mass production and growing concentration of economic power which goes with it. It is an attempt on the part of the small producer to counter the odds against which he has to struggle and find a place for himself in an economy which renders it increasingly difficult for him to hold his own against its centrifugal forces.

In its origin and development it has taken a course of its own owing to the peculiar conditions in which the colonisation of the Jews is taking place in this country. When the War and its consequences gave a new impetus to the Zionist Movement and made the realisation of the age-old passionate longing of the Jews for return to their historic homeland a practical possibility they had as a matter of necessity to devise measures by which the immigrants to this country could find a firm foothold in it as quickly as possible and develop conditions for their stable and well-organised existence. It was realised that the peculiar conditions, under which the settlement of the Jews had to take place in Palestine, rendered it necessary for the pioneers to work and live co-operatively in order that they may be able to establish themselves under unaccustomed conditions and consolidate their position. Co-operation was, therefore, for the Jews a measure for ensuring success for their movement and providing favourable conditions for the realisation of their dearly-cherished aims.

That is the reason why the Co-operative Movement in Palestine, which is an integral part of the avowedly socialistic Jewish Labour Federation, has received assistance and encouragement from the Jewish National Organisation—the Zionist Congress—whose principal object is not the development of a co-operative economy but the organisation of the return of the Jews to Palestine from all over the world. The Co-operative Movement is by no means the only means of realising this object. Private enterprise is, even in Palestine, the ordinary method

through which the resources of the country are being developed; but co-operation occupies a place in the Jewish economy which gives it and the economy itself a special significance and makes its future a matter of speculative interest.

The form in which co-operation has achieved most important results in Palestine is the development of agriculture through co-operative agencies among which are included colonies in which an extreme form of communism is being practised and there is no private property of any kind and those in which farms are individually owned but a very large measure of co-operation is practised in production, purchase and sale. These settlements cover a large area and are producing results, material and moral, which are both remarkable and illustrative of the forces at work in Palestine to-day. These settlements call, on that account, for a fuller treatment than they can receive in a short article dealing with all other aspects of co-operation; and I, therefore, propose to leave them out in this article.

The other forms of co-operation may, however, be briefly described. The Co-operative Movement started in Palestine as an experiment in consumers' co-operation. In the early stages of Jewish colonisation it was felt necessary to combat the evil of speculation in food prices and supply the workers with the necessaries of every-day life. With this object in view was founded 'Hama-shabir'—the Palestine Workmen's Co-operative Society. Later the Society extended the scope of its activities and undertook not only the supply of foodstuffs, household goods, clothing and implements but also marketing of the products of the agricultural settlements. The latter aspect of their work grew so important that it had to be separated and a special organisation created for the purpose. Hamashabir was thereby converted into a wholesale society of consumers' co-operatives in order to help in the inception of retail societies and co-ordinate their work by acting as the central depot for the supply of goods and clearance of ideas. This function Hamashabir is discharging well and now it occupies the position of the parent organisation of the whole Co-operative Movement in Palestine.

But the organisation which has acquired greater importance and is more in evidence than any other co-operative is Tnuva—the Co-operative Marketing Organisation of Jewish Agricultural Settlements. This co-operative has, as mentioned above, grown out of Hamashabir, but now in the extent and the variety of its activities it is playing a more conspicuous role in the development of Palestine, and owing to its being the agency for the disposal of the products of the agricultural settlements, it performs a very special function in the promotion of the objects of the Zionist Movement. Tnuva was established in 1926 and since then

it has made rapid progress. It deals in vegetables, table grapes, bannanas, poultry and in particular milk and milk products; and since its establishment the value of milk sold through it has increased from £P (Palestinian pound which is equal in value to Pound Sterling) 23,400 to £P 42,426 in 1933 of milk products from £P 11,808 to 92,054 and of other products from £P 4,912 to 72,432. The figures for 1934 are not yet available, but it may be assumed that the pace of progress has been more than maintained and the organisation placed even on a more assured basis.

Tnuva consists of three main district associations which work under one central organisation. There is a considerable amount of decentralisation in matters which do not affect the organisation as a whole; but in the developments of new markets or matters which require concerted action and involve questions of policy, the central organisation exercises control and provides for the adoption of effective measures. The basic principles of Tnuva are laid down in its constitution and are:

(1) Tnuva deals in the products of its members only. (2) The members are obliged to deliver to Tnuva their entire products. Those who fail to comply with this rule are expelled from the Society. (3) The dealings for members are based on co-operative lines. (4) The members of Tnuva are, in the main, the settlements of the Jewish workers in Palestine, *i.e.,* those who work themselves and do not employ hired labour. Other settlements which employ Jewish organised labour are, however, also accepted.

These principles are carried out in actual practice and ensure not only that the organisation must retain its essentially co-operative character but also enable it to become the only agency for the disposal of the products of the agricultural settlements. These facts give it a place of growing importance in the economic life of Palestine and place it in a position to play the role of the premier co-operative in the development of the economic resources of that country.

Tnuva is a co-operative sale society, though it has some productive functions as well inasmuch as making of milk products is practically in the hands of Tnuva itself. But for producers' co-operative there is a separate organisation called *Merkez* which has got its own bank for granting long-term loans for initial investment at a low rate of interest. There is another financial institution called *Kupat-Hal-Ko-operativum* which assists in the establishment of the new co-operatives of producers.

The new institution is only one year old, but it has already done good work in stimulating the development of co-operatives for pro-

ducers. There are 74 producers' co-operatives, and they cover a wide variety of activities like foundries, installations, printing, shoe-making, bakeries, restaurants and clothing. Most concerns are medium-sized industries of which there are quite a large number in the vicinity of Tel Aviv—the new Jewish town which has grown with astonishing rapidity in the last few years and become a centre of all that is best in Palestine.

Special mention has to be made of the Transport Co-operative which is very highly developed and provides excellent auto-bus service within the large towns and also inter-urban connections. These buses are cheap, comfortable and very satisfactory in every respect. Transport by road has become very easy and convenient in Palestine. That is due to good roads, in the making of which the early settlers have taken a prominent part.

There are three other forms of co-operatives which owe their existence to the special conditions prevailing in Palestine and may be briefly described. Owing to the expansion of agriculture not only by the co-operative effort but also by private enterprise, there are quite a number of estates whose proprietors do not reside in Palestine, and which, therefore, require looking after. In order to meet their needs *Yakin,* or the Agricultural Contracting Co-operative Society, has been formed which undertakes different types of works like plantations of nurseries, orange groves, vineyards, almond groves, bannana groves, the development and supervision of fruit-bearing plantations, seasonal harvesting work, afforestation and general supervising work. This is an attempt to combine private ownership of land with co-operative management which shows the capacity for adaptation of the Co-operative Movement to the diverse conditions under which it has to be developed. The co-operators in Palestine do not regard it as an unmixed good, but they are using this arrangement to increase the number of the Jewish settlers on the land.

Palestine is known for its oranges; and the extension of orange groves and export of oranges is one of the most remarkable features of the economic development of Palestine. Until 1928 the export trade in oranges was practically entirely in the hands of the private trader; but since that year the co-operators have entered the field and the three co-operatives referred to above—Hamashabir, Yakin and Tnuva—have by their joint effort formed another co-operative for the co-operative export of the citrus fruits. This co-operative is called *Hyt* and its shares are held by the other three co-operatives. In 1933 Hyt exported 20,000 cases of oranges and in 1934 over 230,000. Over 50 per cent. of the ex-

ported oranges were drawn from the agricultural settlements and the plantations cultivated by Yakin. One of the most important results of agricultural research, which is being carried out in Palestine with utmost vigour and ability, is the discovery that a lot of land, which was so far regarded as uncultivable, is suitable for the cultivation of oranges and grape fruits; and even a more rapid development of citrous cultivation is anticipated in the near future. It may be confidently expected that Hyt will have its full share in this development.

Another co-operative, which the special conditions of Palestine have brought into existence, is the Co-operative Contracting Building Guild of Tel Aviv. The building trade has expanded very rapidly all over Palestine, but in Tel Aviv its growth has been phenomenal. This Guild, which commenced its activities in 1930, is still comparatively speaking a small organisation; but owing to the wide scope for its work and the self-confidence which the Co-operative Movement in Palestine has acquired because of its many and substantial achievements, it should be easy for the Guild to become an important factor in the building up of the Jewish National Home. The style of architecture adopted in Palestine is cent. per cent. modern, which in its simplicity, directness and emphasis on considerations of utility combines comfort with beauty and affords possibilities of further developments on creative lines. The participation of the Co-operative Movement in the building trade opens to it a promising sphere of work which has immense economic and cultural value.

The Co-operative Movement in Palestine being an essential part of the Jewish Labour Federation whose declared policy is the ultimate establishment of a Labour Commonwealth based upon the principles of work and co-operation, is to be judged not merely as a means of transacting business or safeguarding the interests of its workers or members. It is a movement for the introduction of a co-operative social order and its success or otherwise will depend upon the extent to which it will change the very foundations of economic and social life in Palestine. What are the prospects of the Co-operative Movement from this standpoint? It is very difficult to make any statement in answer to this question which is not subject to numerous qualifications. Two or three statements may, however, be hazarded.

The Co-operative Movement has grown out of the vital needs of the Jewish people in Palestine and is not merely a measure for the protection of the small producer against his formidable rivals, and is inspired by motives which are very much wider than those which have brought into existence and sustained similar movements elsewhere. It is wisely led and well organised and has in it possibilities of further

growth. It is functioning in an atmosphere of faith and hope; and owing to the successes, which the Movement has already achieved, and the existence of conditions which are distinctly favourable for its development, it has confidence in itself and is full of optimism about the future. Its leaders and members are, so far as I could gather, really co-operative in spirit and are not merely using co-operative technique as a measure of self-defence. These are the points—and they are important points—in its favour.

But in spite of these advantages it seems doubtful whether the chances of the Co-operative Movement being able to establish a co-operative social order can be regarded as assured. Even if the whole population of Jews in Palestine is brought within the ambit of this Movement and adopts its principles as the basis of its economic life, it cannot create a new co-operative order. The Jews are at present nearly one-fourth of the total population of Palestine and the rest are all Arabs. The latter are not only entirely outside the sphere of the Co-operative Movement but are actively hostile to the theory and practice of the Jewish settlement in Palestine; and as the economic system of Palestine cannot be run only by the Jews, the possibility of the Co-operative Movement in that country being able to create a new economic system is very remote indeed. The Arab-Jew problem is one of the most difficult problems which the Jews have to reckon with and for the solution of which they have not been able to suggest any adequate measures, not to speak of putting them into effect. The problem, as a matter of fact, casts its ominous shadow over the future of this very remarkable Jewish experiment and makes the prospect of peaceful development of Palestine very problematical. But even if it can be solved in other spheres, it is certain that its solution will not include a degree of assimilation between the two communities which may afford some sort of secured basis for the development of an all-embracing Co-operative Movement. The one thing that the Zionists of all shades of opinions are agreed upon is the need of or maintaining the separate identity of the Jews absolutely intact by maintaining and enforcing a policy of complete isolation. Assimilation is really one of the dangers —the other, of course, being anti-Semitism, which has given birth to the Zionist Movement, and any measures which have the slightest tendency of bringing about the assimilation of the Jews with the Arabs will meet with a determined opposition of the Jewry everywhere. Palestine, therefore, must remain, as things are, a country of two nations, which may, if the present auguries turn out happily to be all false, be able to develop a system of common administration but cannot have an organic unity. That fact makes the development of an integrated Co-operative Movement for Palestine as a whole an utter impossibility.

Even among the Jews those who swear by co-operation form a minority of the population of three hundred thousands, and though they have the advantage of idealism, organising capacity, youth and, what is most important, the organic needs of Jewish colonisation on their side, they cannot be regarded as decisive or the most important factor in the future development of Palestine. There is a strong, well-organised reactionary section among them who are imbued by a conception of their future which includes aggressive, militant nationalism and competitive spirit of the most unedifying character; and though this section is not dominant at present, the majority of the Jewish settlers come to Palestine to seek careers for themselves owing to their sense of frustration elsewhere, and bring with them an exclusive clannish mentality, which makes the potential power for mischief of the reactionary section much greater than its actual influence. Palestine, the Jewish Palestine, is a country of free enterprise, competition and individualism in spite of the strong co-operative strain which runs through it, and it is not possible to be optimistic about the chances of its being transformed into a co-operative commonwealth.

Formidable as the above difficulties are in the way of a radical transformation of the whole basis of economic life, even a more serious one is the fact that the Jews in Palestine, on account of the smallness of their number and area, cannot lead a self-sufficient, autochthonic life. They are already in commercial contacts with the outside world, and as the industrialisation proceeds apace, the importance of international trade will grow with it. That will expose the small Jewish community in Palestine to the full blast of non or anti-co-operative world forces, render it increasingly difficult for them to maintain the high standard which they are trying to establish for the workers and subject their whole economy to stresses and strains which will make hay of their co-operative aspirations and achievements. For a small country like Palestine to become a co-operative commonwealth when the world, which it cannot isolate itself from, is individualistic and competitive, is contrary to all common sense and realistic considerations.

The above considerations are an argument against taking an unduly rosy view of the Co-operative Movement in Palestine, but they neither detract from the value of the Movement nor take away by a jot the credit due to the dauntless pioneers who have created or developed it. The Movement is still on the up-grade, its leaders have faith and hope which in Palestine have worked wonders and so far as the immediate future is concerned, the co-operator in Palestine has ample scope for the exercise of ability and the sustenance of the faith that is in him. Palestine would be a far less inspiring place than it actually is but for all that has gone into the making of its Co-operative Movement.

I must end this article with a brief personal remark. This article is based on the impressions of the Co-operative Movement received during a short visit to Palestine. I was out on a holiday and saw whatever came under my observation. The visit was cut short abruptly by an unforeseen event and, therefore, the opportunities of having a better view of the economic life of Palestine were lost. The readers of this Journal will kindly make allowance for this fact in assessing the value of my observations in this article; but, I hope, that they will get some idea, howsoever inadequate, of the impulses which have brought this Movement into existence and shaped the course of its development—in this wonderful little country.

Three men were engaged in building operations. On being asked what they were doing, the first replied: "Mixing concrete;" the second "Earning my pay;" the third, "Restoring the old Cathedral."

Can we not look upon our work in the Co-operative Movement in the same spirit as the third workman looked upon his work as restoring the old cathedral? Cannot we look upon our work as a share in building up the new social order?

The Co-operative Review

LAND MORTGAGE BANKS AND DEBT CONCILIATION BOARDS.

By

Mr. V. K. Soman,

Chairman, Land Mortgage Bank and
Member, Debt Conciliation Board, Mehkar (Berar).

The Government recently established several Conciliation Boards in Central Provinces and Berar with the object of relieving the agriculturists from their debts and to meet the unprecedented situation created by the present world wide depression and low prices. The Boards though not perfect under the Act, are doing best service in their own sphere. There is no sanction under the Act to make the Boards more effective and useful. As a further measure to meet the requirements of long-term credit and thereby relieve the indebted agriculturists of their debts, the Government has established about ten Land Mortgage Banks in Central Provinces and Berar guaranteeing capital and interest to the extent of 50 lakhs of Rupees. These Banks have already started work in two places at Mehkar and Amraoti.

The experience of the working of these two Banks is not encouraging as expected but it is now hoped that their working will further improve and better results will be obtained in view of the new changes made in the rules such as, twenty instalments, seven per cent. interest, and the raising of loan limit and percentage of loans. The present policy of the Government is to open a Land Mortgage Bank at a place where a Debt Conciliation Board is already started or to start a Debt Conciliation Board where a Land Mortgage Bank is already working. The intention is quite clear. The Government expected that still better results would be coming by this happy union of both the institutions at one centre. With the above object in view the Government appointed one representative of the Land Mortgage Bank on the Debt Conciliation Board. It was expected that the debtors would be still more benefited by further reduction in their debts if cash amounts were paid to the creditors through the Land Mortgage Bank. This expectation was based on the assumption that the creditors would be ready and willing to make substantial reductions in their claims with the hope of getting cash instead of long instalments. But this was not fulfilled as will be seen from the practical experience gained in the one year's working of the Mehkar Debt Conciliation Board.

In the beginning the Debt Conciliation Board prevailed upon certain well-to-do debtor-applicants to present applications to the Land

Mortgage Bank. About 17 such applications were received by the Land Mortgage Bank and enquired into. There was not such appreciable reduction in the claim as was expected though cash amounts were to be paid. The applications received by the Land Mortgage Bank could not pass through all the tests prescribed and the bye-laws. Many of the applications could not stand the fire of scrutiny of past history of re-payments and loans. The general experience of Debt Conciliation is that the history of repayments of the applicants is very discouraging. This no doubt is due to the present depression, low prices and continued bad years. Many are over-indebted, while many well-to-do persons have not been able to make any repayments during the last 5 years as there was no margin left. Out of all these applications only one came to the stage of financing. Two applicants withdrew their applications and others were filed by the Bank. This is the short history of the applications received through the Board.

The procedure followed by the Debt Conciliation Board while conciliating the debts and fixing the definite amount due is as under:— According to the Act, the creditor has to submit all the details of his claim against the debtor. On receipt of all the above information the Board proceeds to verify the amount claimed by the creditor from his account books. While verifying such claims, repayment, consideration, terms of contract, interest, and duration of the transaction are all taken into consideration. The Board while fixing the claim does not allow more than six per cent. rate of interest, simple, on old accounts and nine per cent simple on cash account. The amount so arrived at is fixed, after deducting the repayment if any. The percentage of reduction in the original claim of the creditor is generally between 30 to 40 per cent. This amount is then spread over a number of instalments, according to the amount, over a period of five to twenty years. These instalments as a rule don't carry any interest, and in some cases the claim is settled by the transfer of land. Generally mortgage claims are settled by transfer of land as the mortgages have as a rule a condition of fore-closure. Simple money claims are in rare cases settled by transfer of land. Big money claims are settled by transfer of land in few cases. Big claims are generally fixed on the basis of the repaying capacity of the debtor. This repaying capacity is generally taken to be between four to five times the land revenue to the extent of Rs. 100—his repaying capacity will be roughly fixed at four to five hundred rupees per year. The above will give a clear idea of the lines on which the conciliation work is conducted.

It is the experience of this Board that the debtors are willing to pay a higher amount if the instalments extend over a longer period; but are generally reluctant to pay a lesser amount with a shorter number of

instalments. The reason for this is that they are not sure to meet their obligations regularly when fixed for shorter periods. In some cases it is found that they are prepared to give bigger instalments than forego their land in satisfaction of their debts. The debtor-applicants are not willing to take a loan from the Land Mortgage Bank for the following reasons: The instalments fixed by the Debt Conciliation Board as a rule do not carry interest. They are generally fixed for big sums for a period of ten years or more. The Board reduces the original claim of the creditor considerably while fixing the amount.

On the other hand if a loan is taken from the Land Mortgage Bank, he has to pay interest on the amount till the date of repayment. He has to pay entrance fee, valuation charges and has to purchase five per cent share. There is also a condition of penal interest on the defaulted instalment and he cannot borrow elsewhere for his requirements without the Bank's permission. Further he has to satisy the Land Mortgage Bank about his assets, liabilities, past history, repayment and other details. In very few cases such satisfaction is possible. The necessary consequence is the refusal of the application. There is no such inquiry before the Debt Conciliation Board. There is not such appreciable reduction in the claim by the creditor even though he gets cash. As for creditors their amounts are already reduced by the Board while fixing their claim and they cannot afford to make further reduction with the prospect of getting cash. The question of loss arises with big amounts; these are generally secured and are generally settled by the Board by transfer of land which the creditors find to their advantage. For the reasons given above the debtors find it better to get instalments fixed by the Board than to go to the Land Mortgage Bank.

With the above considerations the Debt Conciliation Board also is not pressing debtors to go to the Land Mortgage Bank. It is the experience of this Board that the creditors are not willing to make a further reduction of more than 25 per cent in the claim that is fixed by the Board, even if they get cash. This reduction is not in the interest of the debtor also as can be proved by actually working out the instalment figures with interest of the Land Mortgage Bank. From the above it will be seen that the union of the Land Mortgage Bank and Debt Conciliation Board has not been able to meet the expectations. None is to be blamed for that. It is not that serious attempts have not been made or that the implications of this union have not been understood or that the creditors or debtors do not understand their own interests. The experiment so far as Mehkar is concerned has failed and it is expected that this will be endorsed by others also.

DEBT CONCILIATION BOARDS—NEED FOR COMPULSION

By

Mr. P. S. Narayana Prasad, M.A.,
Andhra University, Waltair.

The problem of rural indebtedness had become a live issue for discussion by statesmen and economists, and for solution by the State even as early as the era of the Famine Commissions. Several enquiries had been made ever since, but the problem serious even in those early days has been allowed to remain and accumulate within the very economic fabric that has permitted it to generate and multiply. Most of the enquiries amount to nothing more than a cataloguing of a number of "causes" that are alleged to be the source of rural indebtedness and the offering of remedies that are remotely connected with the real causes —as if the wiping out of the present inflated forms of debt will wipe out the problem of rural indebtedness itself. What is required is a greater control of the more fundamental aspects of economic activity. Nothing short of a scientific reorganisation of the methods of production and marketing of agricultural produce, a complete overhauling of rural finance and a modification of the systems of land tax will be adequate.

The intensity of the problem is enhanced by the depression combined with the policy of the Government which has regarded it as sound to screw up the price level to suit the ratio, and to raise the level of taxation to balance the budget irrespective of what it may mean to the country at large—a policy which is in striking contrast with the policies of most other Governments. Just as the depression in prices has been the deepest in India (a fact amply corroborated by the figures compiled by the economic section of the League of Nations[1]) the level of taxation has remained, comparatively the highest, thus engendering a most serious lag between costs and prices. Thus both circumstances and public policy have aggravated a malady which is already serious and has forced itself on the attention of nearly all the provincial Governments. But unfortunately the attempts made by the various provincial Governments and Indian States to solve this problem, although actuated

1 A fuller analysis of the same has been made by the present writer in an article entitled the "Depression in India" in the *Mysore Economic Journal* for March 1934.

by the best of motives are inadequate and hardly touch the fringe of the real problem.

In nearly all the bigger provinces in India, and in many forward Indian States like Bhāvnagar, Mysore and Travancore some attempt or other has been made at setting up Boards for Conciliation of Debts thus aiming to eradicate the evil. But Conciliation Boards, although they may be successful (a hope that is itself not very rosy), only approach the problem from the wrong side in trying to cure indebtedness rather than trying to eliminate the causes that have brought it into existence. Any legislation that simply aims to cure rather than prevent the problem is halting and inadequate.

In nearly all the Conciliation Boards that have so far been set up, or are about to be set up the hope is fixed on the ability of the Boards to conciliate between the debtor and the creditor without being able to compel the creditor to act up to the award of the Boards. No doubt the various Bills have formulated some definite principles to guide the conduct of the Boards in adjusting the debts. For instance, the Bengal Bill formulates two main principles. If creditors to whom 40 per cent. of the debts are due agree to a certain settlement, the same kind of, but not a less favourable, settlement should be binding on the remaining creditors. And when creditors to whom not less than 60 per cent. of the total debt is due agree to an amicable settlement the Boards may pass such orders on the others, as they think fit regarding the terms on which the remaining debts will be settled. But these provisions are inadequate since they do not formulate what is to happen if there are not many creditors but only one, or what is to happen if a large number of creditors may not happen to be reasonable—as may easily be expected, if the security of the debts is tempting enough. The Travancore Committee on Debt Relief lays it down that in making the adjustments the Boards should be guided by consideration of the equities of the debt transactions, the amount of interest paid, the amount of accumulated interest, the character of the debt (whether secured or unsecured), the ability of the debtor, the availability of assets, the need, occupation and other economic conditions of the creditor and so on. But in considering all these questions a large element of individual discretion of the members of the Board, rather than definite principles, is bound to assert itself, and the possibility that the awards of the Boards may lack uniformity of justice as between one creditor and another, and also that they may vary from board to board is real. A mechanical principle, inspite of its being rigid, is a better workable alternative to one which permits of the whims and predilections of individual members to have a deciding voice. Elasticity of rules is no doubt convenient but vagueness in matters of this kind may lead to greater dissatisfaction and

injustice. The Mysore Committee on debt relief also formulated similar principles and the same objections hold even there.

The Special Officer appointed by the Government of Madras to report on rural indebtedness makes the suggestion that where creditors are not willing to accept the conditions formulated by the Boards, the Government may grant *takavi* loans to the debtors for effecting repayment to the creditor and for collecting them in a number of instalments from the debtor. This proposal is workable only where there is a good security and, there is no reason to hope that in such a case the creditor will come down to accept any reduced payment of his dues. A second assumption in this case is that the debtor has ability to repay. The very fact that a large debt has accumulated manifests his inability to face the debt as a whole, and what is the Government's position if the debtor to whom a *takavi* loan is granted fails to fulfil his obligations? The mere backing of a loan by a security does not guarantee the ability to repay, because the return from the secured property may not be adequate to meet the repayment of capital borrowed on it.

This naturally leads to the question of the position of creditors with security. The rights of creditors in this case are governed by the Transfer of Property Act, and the rights will be intact unless the creditor agrees to waive them. And it is undue optimism to expect the creditor to come down if adequate security is found for his claims. In case such adequate security is not forthcoming, the stark realist that he is, the money-lender will himself agree to such readjustment as is within the ability of his debtor. In the former case the Conciliation Board not backed by power to compel is impotent and in the latter, the work of conciliation is superfluous. This is so clear in itself that no appeal to practical experience is necessary. But even such experience as we possess does not belie this apprehension. In a note issued by the Government of the Central Provinces recently where Conciliation Boards are worked for some time, it has been stated that "it has been found, however, that creditors are in many cases apathetic particularly those whose debts are secured and who can afford, therefore, to refuse to any compromise."[2] In that case it becomes clear that all legislation based simply on the hope of appealing to reason through public opinion is not an effective remedy and if the provisions are to be useful they should be based on sound economic principles and take all facts into consideration and secondly, they should bear an element of compulsion. Now the provisions in the various Acts as regards the second requisite are disappointing.

2 See the *Hindu* of 24th September, 1935.

As for the question of compelling the creditors concerned to abide by the decisions and awards of the Conciliation Boards, most of the measures err on the side of omission. Those of United Provinces, the Punjab and Central Provinces simply rely on the ability of the Boards to persuade. The Travancore Committee, who have formulated a number of principles, do not lay down any procedure for the Boards to make it obligatory for the creditors to bring their transactions before them. They write that "*if the parties appearing before the Board agree to conciliation* proposed by the Board, the agreement should be reduced to writing and signed by the parties, and according as the Board directs be registered or filed in a Munsiff's court" in order that the agreement may have the force of a decree passed by such a court. The Committee do not state what is to happen if the parties do not agree to the conciliation so awarded, and there will be very few creditors who will accept any award unless sheer hopelessness to extract anything more out of the debtor forces them to do it, in which case the material contribution in solving the problem by the Boards amounts to little.

The Special Officer appointed by the Government of Madras to report on the problem, in fact, sets himself definitely against any proposals for embodying an element of compulsion into the Bills. The agriculturist, he argues, being constantly in need of finance is bound to depend on the money-lender, and any legislation aimed at frightening away the latter will react injuriously on the agriculturist. But this argument has several drawbacks and betrays an amount of nervousness which may not be justified by the facts of the case. In the first place there is no need to presume, as the argument obviously does, that in most of the cases the Boards are bound to so reduce the amounts as to offer no remuneration to the money-lender for his investment. Secondly, as long as the investment does get some return, the money-lender will not run away from the field, because, just as the agriculturist is in need of finance, the money-lender is in need of interest. As long as investing in agriculture happens to be the safest outlet for savings, as it undoubtedly is in India at present, with all the vagueness of industrial policy, even a lower rate of interest in agriculture, as compared to other industries is bound to attract a good proportion of the community's savings. In fact the over-capitalisation of land on which most people agree, is itself proof of the safety of this kind of investment which for that very reason will continue to attract capital. Thirdly, even granting for argument's sake, that such a flight of capital is likely to occur, the Governments concerned should try to evolve institutions, designed to finance agriculture, either through the extension and modification of the co-operative activity or through the agency of the Land Mortgage Banks, or through other and newer machinery created for the purpose

if need be. If out of the fear of prejudicing the money-lender compulsion is not to be resorted to, it must be realised that not much can be accomplished and the huge machinery in the shape of the Conciliation Boards may prove to be mere wasted labour. The Officer argues that trying "to invest Debt Conciliation Boards with powers to compel creditors to scale down principal and interest will lead to incalculable harm to the very classes whom we are out to save." But it is doubtful if anything can be done at all to really save the agriculturist if such compulsion is not resorted to. He continues "that the working of the machinery for voluntary conciliation, which is to be created be carefully watched for sometime and that, only if this machinery fails to afford the relief that it is intended for, compulsion should be applied as a last resort."

We already have the experience of the working of the Boards in the Central Provinces, where it is felt that the voluntary principle should be replaced by one introducing an element of compulsion. The Bengal Bill which is the latest of all seems in fact to have recognised it clearly in contemplating to create Boards which are similar to those in the Central Provinces, but with somewhat wider powers to exercise compulsion in varying degrees on creditors who unreasonably refuse to settle debts amicably. Even the Madras Bill which is based on the voluntary principle is reported to have been subject to criticisms during the Select Committee stage and the suggestion seems to have been made that provision should be introduced in the Bill for compulsorily reducing the debts due either on the basis of the depreciation of the rupee or the fall in prices. Such a provision is indeed inevitable if any good is to come out of this kind of legislation.

Besides this, one point overlooked by nearly all these measures is that the Boards themselves should possess the power to initiate enquiries into the debts. It may not be to the interest of the creditor to start an enquiry and he may permit interest to accumulate. The debtor himself might refrain from applying to a Board, as it is happening in the Central Provinces because of the fear that the Board with its limited powers may not help him adequately, but at the same time may prejudice the future credit of the debtor and thus bring about more inconvenience than help. If, therefore, the Boards were to be of any substantial utility at all they must be such agencies of the Government as possess the right to call all the agriculturists before them and adjudicate the claims.

With all these additional powers the Conciliation Boards are still institutions to alleviate indebtedness after it is created. Their work is

curative rather than preventive. Is there any hope that once this problem is solved by any method, that it will not again rise in future and create the same difficulties once again ? The answer to this question naturally depends on the analysis of the causes for this great magnitude of rural indebtedness. The analysis will have to take into account the margin of profit in agriculture, the incidence and equity of the land-revenue system, the return from land and the real rate of interest at which the agriculturist borrows, the actual return from land, the nature of agricultural credit itself and other similar factors, without reference to which conclusions reached about the problems, and remedies suggested on their basis would necessarily lack that touch of reality which is essential to the tackling of any such problem.

Let us remember the most scornful condemnation in Scripture was not given to the evil but to the indifferent : " Because thou art neither hot nor cold I will spew thee out of my mouth."

A. E.

URBAN BANKS IN MADRAS

By

Mr. J. C. Ryan, M.A.,

Deputy Registrar of Co-operative Societies, Salem

History

Urban Banks are co-operative credit societies usually situated in towns. They are based on the model of the Schulze-Delitzsch Banks in Germany and provide credit facilities for artisans, small traders and employees in Government, local bodies, railways or firms. Originally, it was intended that these banks should lead the way for rural credit societies in the same way as the Luzzatti banks did in Italy. Mr. Dupernex wrote: "Here in India, where there is a profound ignorance of co-operative methods, some outside influence is necessary to advise and aid the villagers at the outset. This outside influence we propose to supply from the local popular bank." The Co-operative Credit Societies Act of 1904, however, allowed urban banks and rural credit societies to be registered simultaneously, and, in practice, the latter kind of societies received the first care of the authorities. When the Maclagan Committee on Co-operation took stock of the situation in 1915, they advised an increase of urban banks for two reasons. First they observed that "the excessive development of agricultural societies to the exclusion of other classes meant that the demand for money and the repayment of loans were not evenly distributed throughout the year, but occurred at particular seasons, with the result that Central Banks during certain months of the year found it difficult to employ their capital profitably." Secondly, the Committee found that "recent experiences in Northern India had shown the dangers of the policy under which Government allowed banking institutions to spring up and carry on business under a control so light as to be almost nominal." They therefore considered that "urban credit societies might serve a useful purpose in training the upper and middle urban classes to understand ordinary banking principles. Where joint stock banking facilities were absent, they might fulfil a useful purpose." As a result of this recommendation, urban banks increased in numbers all over India, particularly in the Presidencies of Bombay and Madras. On 30th June, 1930, 76 urban banks in Bombay catered to the needs of 120,058 members with a working capital of Rs. 2,82,47,000. On the same date, there were 946 urban banks in Madras with 203,714 members and a working capital of Rs. 2,55,35,000. In 1931,

the Indian Central Banking Enquiry Committee reviewed the situation again and recommended that urban banks should be established wherever suitable conditions and facilities existed. They laid down as the duty of urban banks that "they should try to do for the small trader, the small merchant and the middle-class population what the commercial banks were doing for the big trader and the big merchant."

PROGRESS IN MADRAS: FINANCIAL POSITION

At the end of the year 1933-34, there were 1,069 urban banks in Madras, 693 of them serving the general public and the remaining 376 attending to the needs of employees in Government, Local Bodies, Railways, and firms. The financial position of these banks stood as follows:

			Rs.
1.	Paid-up share capital	..	77.62 lakhs.
2.	Reserve Fund	..	28.50 "
3.	Deposits from members	..	85.55 "
4.	Deposits from non-members	..	96.33 "
5.	Loans from Government	..	0.21 "
6.	Loans from Central Banks and other societies	..	20.65 "
7.	Total working capital	..	308.86 "

Comparing the progress made by urban banks with that attained by agricultural credit societies, it is observed that the working capital of urban banks is more than half that of rural credit societies which have no more than Rs. 510.42 lakhs. Even in point of membership, urban banks with 248,245 members claim nearly half as many members as rural banks which have but 562,541 members. In relation to population it is calculated that 3.92 per cent. of the urban people have been drawn into urban banks while only 1.39 per cent. of rural folk have joined the rural banks. Urban Banks hold Rs. 4.9 of working capital per townsman while the rural banks have only Rs. 1.2 per ryot. These figures indicate that urban banks serve more townsmen than rural banks help agriculturists; but, what is better, the percentage of overdues to demand in these banks is only 23.14, even in these days of depression, as against 70.28 in agricultural banks. Decidedly, urban banks have not only come to stay in the province but established themselves on a solid financial foundation of over a crore of owned capital and built up the habit of prompt repayments to an appreciable extent.

THRIFT

Financial strength is but one of the tests by which co-operative banks can be judged. The foremost object of urban banks is the development of thrift among its members; and it is no doubt an achievement that these banks have gathered Rs. 181.88 lakhs of deposits. But for them a good part of these savings may not have been effected at all. Yet, the majority of these deposits belong to non-members, and the bulk of the members' deposits come from the well-to-do classes investing in hundreds or thousands. The small man's deposits are few. Scarcely any bank has made conscious effort to tap small deposits. In Japan, co-operators conduct campaigns for thrift by singing thrift songs, by exhibiting thrift charts, by teaching thrift in schools, by celebrating thrift days, etc., etc. In Germany, the office-bearers call at pay offices on pay days, at church doors on Sundays, and at the farm houses when the harvest is sold, and collect small savings. In fact, Mr. Wolff says that they go about with outstretched arms wherever they scent any spare cash and grab it before it goes into any improvident use. In the United Kingdom, 864 of the Distributive Societies run small savings banks called "Penny Banks". At the end of 1934, the small savings accumulated in these banks amounted to £5,352,276. The response we had in India from small folk for the Quetta Relief Fund and the Silver Jubilee Fund shows what results can be attained if efforts are put forth. Cannot each urban bank launch out similar campaigns once in a month on behalf of thrift?

PRODUCTIVE LOANS

During 1933-34, our urban banks disbursed Rs. 2,22,85,102 of loans. 82.33 per cent. of these loans aggregating to Rs. 1,83,44,745 have been classified as loans given for productive purposes. If these figures are correct, we should conclude that the wealth of this province was increased during that year by several crores, thanks to these productive loans. But we have it on the authority of the Madras Banking Enquiry Committee that there is no knowing what part of the loans given in urban banks is really productive. They say: "Theoretically, they are expected to grant loans only for useful purposes to be specified clearly by the applicant and approved by the panchayat, but actually there is no close scrutiny of the purpose or the application of the loan." The Committee attributes this defect to the fact that "in many cases the panchayatdars are too anxious to hold their posts to enquire so closely into the use of loans as to jeopardise their chance of re-election when their term of office comes to an end." This state of affairs ought to disappear gradually as office-bearers and members realise more and more that the end of co-operative banking is not merely lending and

collecting, nor even keeping certain people in office, but the promotion of such spending as will build up the national wealth of the land. The borrower should look upon every rupee that he borrows from a bank as a brick that he lays on the building of India's greatness and the Directors should set the brick firm in its proper place by seeing to it that the borrowed rupee is spent for the productive purpose for which it is taken. It must be recognized that there are many practical difficulties in the way of attaining this ideal of controlled credit. Some suggestions made later on in this article would minimize these difficulties; but the great point is that this ideal should first be taken firm hold of.

RATE OF INTEREST

It has been admitted on all hands that the most striking benefit conferred by the co-operative moment is a reduction in the general rate of interest in the land. In the course of this year, the ruling rate in co-operative banks in Madras is being cut down from 9⅜ per cent. to 7$^{13}/_{16}$ per cent., and the penal rate of 12½ per cent. is being abolished. It is curious that some urban banks are slow in adopting these concessions. The Directors contend that the abolition of the penal rate would inevitably lead to overdues and that the existing rate of interest in the locality justifies a retention of the lending rate at 9⅜ per cent. The latter argument may be dismissed as not deserving of any scrutiny, because co-operative rates have been leading, and ought to continue to lead, the rates among money-lenders, especially when Central Banks have cut down their rates to 6 per cent. and when deposits are available at 3½ to 4½ per cent. But the objection against the abolition of the penal interest deserves some scrutiny because it is argued that though penal interest does not procure prompt repayments in rural societies, it does exercise considerable influence in that direction in urban banks. But the point is that the cost of a loan should be commensurate with the yield of the loan. In these days of depression, it is too much to expect a 12½ per cent. return from a productive expenditure even in urban areas. When the cost of the loan is made proportionate to its yield, repayments ought to be easy, and prompt. If defaults occur, they will occur less because of inability to pay and more because of the perversity of the borrower. In such cases, the defaulter may without any compunction be subjected to coercive processes, which have been made easy and effective by the execution of co-operative decrees through the Co-operative Department. Prompt coercive steps ought to be a more potent force to secure punctuality than penal interest.

GREED FOR REMUNERATION

But it has been suggested that the root cause for the opposition against a reduction in interest is the greed for remuneration on the part

of some office-bearers. If interest rates are cut down and penal rates are abolished, profits should decline; and if profits fall, remuneration to office-bearers, which is usually allowed at a certain percentage of profits, would be decreased. It is hoped that there is not much truth in this allegation, for the Directors of urban banks assume office professedly to serve their fellow-members and not to help themselves. But if there should be any foundation in this allegation, would not urban banks with such directors deserve all the chastisement which Sir Frederick Nicholson administered to the *Nidhis of Madras?* He wrote: "Profits in the Nidhis arise from an unusual source, *viz.*, the unpunctuality of the members.. In one Nidhi ..the sum produced from fines, euphemistically called "additional interest" was above Rs. 10,000; in another Nidhi, the gross income in one year was about Rs. 10,000 of which fines amounted to over Rs. 3,000.... There lies in fines a great temptation to use them as a source of income; unpunctuality is apt to be connived at, if not encouraged, because of the profits derived from it. It is a bad augury for the general success of banks that the chief profits of some existing institutions should arise from the unpunctuality of their members."

HIGH DIVIDEND

The clamour for high dividends is more common in urban banks than the suspected greed for remuneration. The rate of dividend admissible under the by-laws hitherto was 9 per cent. In conformity with the general fall in money rates, urban banks are being advised to cut down their dividend rates to at least 6 per cent., but the opposition to such reduction is rather strong. It is urged that low dividend would attract less deposits. But this objection is not based on facts. Depositors generally deposit their funds because so-and-so is at the helm of affairs in a bank or because Government audits the bank. These considerations may not be sound, but it cannot be denied that they are the usual considerations. If the depositor happens to be a businessman, he looks to sound business practices in the bank and not to dividends; for, he wants interest and security for his deposits and not dividend on his shares. The real objection to low dividends emanates from a different source. In one urban bank where there were loud protests against cutting down dividends 360 members out of 1,532 had no loans due to the bank; and, out of these 360 members, as many as 136 had not borrowed for the last three years. These habitually non-borrowing members are members not so much to satisfy their credit needs as to make money on their share investments. They introduce the greed for profits which animates joint-stock banks. They forget that while profits are the legitimate end of joint-stock banks they are out of place in

a co-operative institution where mutual service ought to be the ideal. Co-operation is agreeable to allow a fair rate of interest on capital, but high dividends which savour of profit-seeking are foreign to its fundamentals. Those that hanker for high dividends should seek them elsewhere. It is not possible to select them out without making an invidious distinction. As the rate of interest on loans is reduced, and dividend rates fall, they will themselves abandon urban banks and seek their fortunes in the proper quarter. Urban Banks will then be left with two classes of people—those who wish to satisfy their credit needs and those who, out of a spirit of service, genuinely desire to assist those who are in need of credit. Both these classes of members will realise that the less dividends are declared, the more will be the reserves, and the larger the reserves, the more can the lending rate be reduced. The greatest service that co-operation can do is the cheapening of capital to such a degree as to make it available for the humblest man.

ELECTION TROUBLES AND POLITICS

Probably the worst evil affecting some urban banks to-day is electioneering and election disputes. In some banks new members are admitted on the eve of elections so as to procure re-election for the committee in office ; brisk canvassing is done by candidates in person, through friends or by manifestoes ; vote by ballot is demanded ; polling booths are set up ; and impartial returning officers are appointed. Sometimes, elections held are challenged ; arbitrators are obtained ; and the suit is argued with heat. Defeated candidates are impatient to abide their time till the next elections come off by efflux of time. No-confidence motions are engineered and committees are sought to be turned out of office even before they have felt their way in the affairs of the bank. Politics, both local and general, often play a part in all these troubles. In one bank whose Secretary was the President of the local Union Board, an arrest warrant was taken out against an inconvenient member of the Union Board and sought to be executed as he took his seat at a meeting ! Would all this take place if such co-operators realised that their calling is to do fellow-service and if they recognised that convulsions in the constitution of business institutions would hamper the normal course of business ? The Madras Banking Enquiry Committee suggests that " the remedy is in propaganda and training." But more immediate remedies are needed lest the evil should spread quicker than the remedy of propaganda. Two suggestions are worth considering. First, the office of Honorary Secretary paid with a percentage of the profits might be abolished and a paid Secretary with technical training may be appointed. This is in accordance with the recommendation of the Townsend Committee which considered that " efficient and at any

rate semi-expert management is an essential" and found some of the banks they visited did not have this essential requisite. Secondly, in the case of urban banks with over 500 members, elections to the committee may be conducted either through an Electoral Board or according to wards. An electoral board composed of say 20 members, debarred from standing for the committee themselves, may not only choose the best men for the committee but will also reduce the competition for seats on the committee by making election indirect. The system of election by wards will also minimize the competition for office by reducing the size of the constituency. In addition, it will also furnish closer knowledge between the committee-member and the members and facilitate the closer scrutiny of loan applications and the supervision of the expenditure of loans for the purposes for which they were given. Controlled credit in urban banks is needed almost as much as it is in agricultural societies.

As with so many proposed solutions, one often merely removes the problem from one field to another—like the lady who went to a beauty specialist to have her double chin lifted and came away with rolls of superfluous tissue at the back of her neck.

G. Hutton.

URBAN BANKS IN BOMBAY

By

Mr. P. R. Thadhani,
Co-operative Department, Bombay

Banks and their Efficiency

Co-operation is a method of economic organisation. It is a method best suited to the lower and weaker classes of the society—classes which have, so to say, not a chance in an economic organisation based on competition and survival of the fittest. Lower and weaker classes exist in urban areas just as much as they do in the countryside; therefore there is no reason why the Movement should be limited to villages. In fact it has made quite a measurable progress in towns and cities. In Bombay it has made more progress in urban areas than in rural, the standard of progress being not their number but the efficiency of societies.

Among urban co-operative societies the credit societies are the more important. There were on 1st April last (1934) 920 Non-agricultural Co-operative Societies of which 657 were Credit Societies. Since then the number has fallen, and on 30th of June, 1935, it was 635. This fall in the number of Urban Credit Societies is solely due to the policy of rectification and consolidation which the Department of Co-operation has been following of late.

Urban credit societies (U.C.S.) are classifiable according to working capital and the nature of membership. U.C.S. with a working capital of Rs. 50,000 or over each are classed as Urban Banks proper. The number of such banks is not fixed; between 1924 and 1934 the number has increased from 43 to 114. According to membership U.C.S. fall into four classes: (1) People's Banks with cosmopolitan membership, (2) Communal Societies with membership limited to any one community, (3) Zamindari Banks with big landlords as their members, and (4) Salary Earners' Societies whose members are all employees. People's Banks and Salary Earners' Societies are spread all over the Presidency; Communal Banks are also to be found in the whole Presidency but proportionately Sind has more of them; and Zamindari Banks, of which kind there are only three, are only in Sind.

Urban Banks with a working capital of Rs. 50,000 or over each include societies of all classes. They are to be found all over the Presidency and are the foremost U.C.S. Their share in the total volume of

operations is out of all proportion with their number. On 1st April, 1934, their number was 1/6th of the total number of U.C.S. while their share in the various operations was not less than ½ of the total. Their importance is also reflected in the degree of efficiency they maintain and the obligations imposed on them. The Department requires that their staff, principally the Accountant and the Manager or Secretary, should be qualified persons; and they are audited by the Special Auditors.

Salary Earners' Societies are homogeneous units, their members being employed in the same office, department, firm, etc. The share capital of these societies can be paid by monthly instalments graded according to the pay of earners. Salary earners have derived great benefit from their societies in the shape of easy credit. A member can borrow ten times his share capital, Rs. 1,000 or six times his monthly pay, whichever is less. Loans can be repaid in 6 to 12 monthly instalments. The lending rate of interest of the societies is lower than what the members have hitherto been accustomed to. The satisfactory situation of the municipal sweepers of Karachi is sufficient evidence of the fact. Prior to their co-operative society, the sweepers were "hopelessly debt-ridden and they used to borrow from Pathans who charged them crushing rates of interest sometimes extending even to cent. per cent". From the clutches of such rapacious money-lenders the sweepers have been saved; and the institution which has been largely instrumental to this achievement is none other than the "Karachi Municipal Sweepers' Co-operative Credit Bank, Ltd." Salary Earners' Societies as a class are the most efficient urban credit societies. Both in respect of management and re-payment of loans their record is very satisfactory. Their members are well-disciplined and adequately educated to secure order and efficiency. Generally also, a superior official of the office from which the membership of a society may be drawn serves on the Managing Committee or Board of Directors in *ex-officio* capacity so that the members always feel to be "under control". Recovery of loans is regular. Members themselves are prompt in re-payment. But what further promotes regularity of recoveries is the authority which the societies have to recover loans from the pay-sheets of their indebted members. As a reward for efficiency and soundness of management the societies have secured favoured treatment from the Department. For whereas other urban credit societies have to allocate 25 per cent. of their net profits to reserve fund, Salary Earners' Societies can allocate only 10 per cent. with the previous sanction of the Registrar.

Urban Banks with a working capital of Rs. 50,000 or over and Salary Earners' Societies are described as the most efficient urban credit

[library stamp, illegible]

societies in the Presidency. This does not mean that other banks and societies are inefficient. They are only *primus inter pares.* For urban credit societies are as a class the more efficient co-operative societies of the Presidency. In terms of Audit Classification, in 1934, out of every 10 urban credit societies 2.7 were in class "A", 5.62 in class "B", 1.45 in class "C", and .23 in class "D". This degree of efficiency of the societies is partly due to the control of the Department, but largely to the high standard of efficiency which they have set to themselves. The Urban Credit Societies of Gujerat, have organised a supervising union of their own and now the banks want to extend the principle of supervising unions over the Presidency. Supervising unions are a machinery for internal audit and as such they are an invaluable asset to the Movement.

OPERATIONS.

As regards operations of Urban Credit Societies only a few words can be written about a few important features. (1) They are almost all on limited liability basis. On 1st April, 1934, out of 657 societies only 16 were on unlimited liability basis, a number which has fellen since 1925 from 31.

(2) All have owned capital made up of Share Capital and Reserve Fund. Share Capital is fixed for each society under its by-laws. The annual increment to Reserve Fund is not fixed; only the minimum limit to such accretions is prescribed. All societies have to transfer to Reserve Fund 25% of their net profits. Generally, however, such transfers have been between 25 to 35 % of net profits.

(3) The working capital of the societies is composed of owned capital and loans and deposits. Societies can accept loans and deposits from individuals (members and non-members) and other Co-operative Societies (Primary, District Central Banks, and Provincial Bank) with the permission of the Registrar; local boards and school boards with the permission of the Government; and from municipalities with the permission of the Registrar. They hardly get any loans and deposits from primary societies and public bodies. From Central Banks they get loans and from individuals deposits. Of the two, deposits from individuals are larger than loans from Central Banks. Of individuals' deposits, members' deposits are generally two or three times those of non-members. There is a limit to the borrowing powers of the societies. Their total borrowings on any account may not exceed eight times their owned capital.

(4) Societies employ their funds in advances and investments. The limits for advances to ordinary members, members of the Managing

Committee and the Committee as a whole are prescribed under the by-laws, which limits may be exceeded with the permission of the Registrar if the by-laws provide for such action. All advances can be given against personal security or upto a percentage of the value of a tangible collateral. Loans against gold, silver and fixed deposits may be upto 90 per cent. of the value, against agricultural and industrial produce upto 50 to 60 per cent. and against immovable property upto 33⅓ per cent. Loans to individuals may also take the form of cash credits which are like the overdrafts of Joint Stock Banks. In 1934 the Department prescribed uniform cash credit rules for all societies doing such business.

Societies can invest their surplus funds in any securities mentioned under Section 37 of the Bombay Co-operative Act. This section may prove a shackle on certain societies which want to invest in securities outside if those securities be the more remunerative; but on the other hand it is a source of guidance to many more societies whose management may not be so businesslike.

PROGRESS IN THE LAST TEN YEARS.

The progress of the Urban Credit Societies in the last 10 years and the effect which the depression has had on them deserve a few words. Progress has been uninterrupted. Operations of all kinds have increased, and the increase has been collective as well as several. Operations of all societies on the whole and of individual societies have both expanded. The depression has not caused any setback to them as it has done to our agricultural credit societies. Only the pace of progress has been slowed down. The percentage of arrears to loans outstanding has moved since the depression between 10.5 and 14 instead of between 9 and 11 before the depression. The limit of advances to individuals has also gone down in certain cases, e.g., loans to Zamindars from Zamindari Banks. But, on the other hand, societies have continued to work on profitable basis although the rate of profits has gone down.

UTILITY OF SOCIETIES.

Co-operative Societies are set up to serve the people and not to make profits at their expense. It is, therefore, proper to take stock of the service which Urban Credit Societies of Bombay are rendering. The service so rendered is banking and non-banking. As banking institutions the societies have provided cheap finance and promoted thrift. If movement in members' deposits be taken as an index to the growth of thrift then it can be said that, without doubt, the Bombay Urban

Banks have succeeded in promoting thrift among their members. Whereas in 1924 an average member had to his credit a deposit of Rs. 64, in 1934 he had a deposit of Rs. 94. During the depression members' deposits have gone up rather than down. If this increase in deposits be partly due to the hoarding habit which consumers have acquired during the depression, then, just as certainly, it is partly due also to genuine thrift. Urban Credit Societies have taken special pains for encouraging thrift. Like the ordinary Joint Stock Banks they accept Savings, Current and Fixed Deposits. But besides these they have cumulative deposit schemes and sign fidelity bonds for their members —which both ultimately promote thrift.

Non-banking service undertaken by some banks is of two kinds. One involves no real sacrifice on the part of members because a part of the net profits is set aside for the provision of services enjoyed by the members themselves. Such services are (a) building up of Provident Funds for members, (b) provision of cheap medical service in the shape of cheap medicine from the society's dispensary and a doctor's attendance at low fees, (c) maintaining of libraries and reading rooms, and the like. The other service is that which involves real sacrifice on the part of members since a part of the dividend is utilised for a service not necessarily availed of by members. At present there is one glorious example of this sacrifice but it is hoped that the example will be emulated. The Rajwade Mandal Co-operative Bank of Dhulia contributes 30 per cent. of its profits set apart for declaring the dividend to the Rajwade Mandal for historical and linguistic research. In its first year the bank contributed Rs. 150 ; in the second it has contributed Rs. 600.

This serviceability of banks has made them very popular and it is hoped that the banks will take advantage of their popularity by expanding their operations for which they have still a large scope. Their borrowings are only three times their owned capital while they can borrow upto eight times the owned capital ; they have touched only 25 per cent. of the urban population whereas at least 75 per cent. of that population can be served by them profitably.

THE DEPARTMENT AND SOCIETIES.

Finally a few remarks may be added about the relationship which subsists between the Department and the urban credit societies. The Department controls as well as guides them. The control of the Department is manifest in the (a) permission of the Registrar which is necessary for any out-of-the-ordinary step, (b) audit of the societies, and (c) rule that dividend declared plus any bonus may not exceed 7½

per cent. of Share Capital. Control in this form is necessary to some extent. At present the societies have not developed any machinery for internal audit to a very satisfactory degree so that strict audit of them is necessary. As to the rule about the rate of dividend it can be said that it prevents the societies from becoming profiteering institutions. For once they have become such profiteering institutions they are likely to move farther and farther away from their ideal of serving the lower and weaker classes of the societies as they have done in Germany. The Department guides by suggesting from time to time certain rules for uniform adoption.

The rural population, though illiterate, forms a more docile material to work upon, while the people in towns are more keen about their rights than the observance of duties imposed on them

S. S. Talmaki.

URBAN BANKS IN THE MYSORE STATE

By

Mr. Y. Sreenivasaiya, B.A., LL.B.,

Hony. Secretary, The Chamarajapuram Co-operative Stores, Ltd., Mysore.

The population of the Mysore State is 65 lakhs (census of 1931), of which 10 lakhs are classified as urban. All towns whose population exceeds 5,000 or to which the Municipal Regulation is applied are described as Urban. The Municipal Regulation is extended compulsorily to all taluk headquarters irrespective of the number of their inhabitants. Many of the taluk headquarters have not got even a population of 2,500. The smallest of them has a population of only 871.

There are 4 cities and 104 towns in all, 108 urban areas in the State. The cities are the Bangalore City, the Bangalore Cantonment, Mysore City and the Kolar Gold-Fields. The towns are all small, the biggest of them—Devangere—the centre of cotton trade in the State, has only 23,000 inhabitants. Sixty-six towns have a population of between 2,500 and 5,000 and 25 less than 2,500 each.

Most of the inhabitants of the towns are agriculturists and therefore differ very little in their needs and outlook from their brethren living in rural areas. Therefore, the bulk of the population living in the smaller towns are dependent upon agriculture and allied occupations and are not industrial working men, employed in factories or mills.

The latest Administration Report of the Co-operative Department (1933-34) shows that there were 264 credit societies of limited liability which had an aggregate membership of 51,841 persons and working capital of Rs. 75, 42,060 and that they had lent out Rs. 66, 54,555 to their members. The Table A. appended hereto shows that compared with the figures for 1928-29, there was a marked increase under all heads from the year 1930-31 upto 1933-34. But there was a setback in the year 1933-34 owing to economic depression of the time. We observe also that the overdues gradually mounted upto nearly Rs. 21 lakhs in 1933-34, out of a loan of Rs. 66½ lakhs, or nearly to 31 per cent. whereas in the year 1930-31 the proportion was only 23 per cent.

In addition to the credit societies described above, most of which are in urban areas, there are a number of Distributive Stores in the State which also function as banks. The banking transactions of most

of them exceed by far their transactions in the Stores Section. They have also to be considered therefore as Urban Banks.

It is usual to consider Co-operative Societies with a working capital of more than Rs. 50,000 only as Urban Banks. Viewed from that standpoint there have been in the State 36 Urban Banks which confine themselves exclusively to banking transactions, and 9 Societies which do both the banking and the distributive stores work. These 45 credit institutions have a membership of 32,730, working capital of Rs. 82,72,855, and a turnover of Rs. 3,85,16,132 (1933-34) ; in other words, they include 23 per cent. of the members, 40 per cent. of the working capital and 52 per cent. of the total turnover of the whole Movement in the State. (Vide Table B.).

There are 17 of these banks in the Bangalore District and 9 in the Mysore District. The rest are distributed amongst the remaining 6 districts of which Kolar and Tumkur Districts have five banks each. There are 13 banks in the city and suburbs of Bangalore and 8 in Mysore City. Thus nearly half the number of these bigger institutions are working in the two cities of Bangalore and Mysore.

Membership of these Banks is open to all persons irrespective of their caste, creed or nationality. Traders, artisans, labourers, contractors, civil servants of the Government and of the Palace, the followers of professions such as Law and Medicine, members of Railway and Municipal Service and a few others form the bulk of membership. The proportion of literate members in these banks is very high—the illiterate members in the bigger cities forming a very small number. The members of these banks are therefore more competent than the members of the rural societies to understand, learn, and apply the principles of Co-operation and of Banking.

The Civil Servants of the Government and the employees of the various public offices mentioned above form a large proportion of the membership of the Urban Credit Banks. There have been 77 credit societies in the State formed exclusively to serve them which have a membership of 10,660, working capital of Rs. 8,36,326 and a turnover of Rs. 45,41,756. This class of members is not, however, prohibited from joining other co-operative societies in their respective places. Their number in the non-departmental societies in the aggregate is not less than their number in all the departmental societies. Therefore, it may be safely said that nearly 20,000 members of credit societies of limited liability are either Government servants, municipal employees or Palace servants.

The Government, which started the movement of Co-operation, depended largely upon the support of its own employees in the earlier

stages to organise and work the co-operative societies. They allowed them to become members of societies without restriction and later permitted them to work also on the Committees of Primary Societies without any special permission from their official superiors. Many of the Managing Committees of Societies in bigger areas had always a number of Government servants, who in many cases worked as earnestly and as sincerely as any other members. But latterly a restriction has been placed upon this liberty to serve on the Managing Committees of non-departmental societies which has kept back from the management, many of those who were enthusiastic workers in the field.

As regards working capital, the Urban Banks are self-dependent and do not borrow from the Apex or District Central Banks. In fact, many of them are financially much stronger than most of the District Central Banks. The working capital is not, however, entirely the contribution of members. A proportion of deposits—whether fixed, current or thrift—which sometimes goes up to even 30 to 40 per cent. of the total deposits, is contributed by non-members. The major portion of the deposits of the members is not the accumulated dividend or rebate saved by the members but is contributed by a few members only who are either well-to-do or have previously saved elsewhere and feel it a safe investment to deposit their funds in these societies. Thus barring the share amount which is contributed by each and everyone of the members, the deposits which form the major portion of the working capital of these banks is subscribed by a comparatively small number of persons. Therefore, membership can be divided into two classes: one, the investing section which is small in number, and the other, the borrowing section which is very much bigger. There is some conflict of interest between these two sections which sometimes manifests itself in the General Meetings when the borrowers bring resolutions which conflict with the interest of the investors.

Loans are advanced on the security of immovable property, and on the personal security of one or more members. Many societies lend small sums without any collateral security. Some societies advance loans on gold and jewels. Advance of loans on Government Bonds and on other gilt-edged securities is very common. But Bills are not yet discounted by any of them; nor are advances made on the security of commercial goods.

Loans are advanced in the case of tangible securities up to a maximum period of 10 years and maximum amount of Rs. 10,000 though in the case of joint security loans the period rarely exceeds 4 years and the amount Rs. 500. The proportion of members who are either arti-

sans, traders or other businessmen who require capital for carrying on their business is small. Consequently in the majority of cases money is borrowed to meet the immediate need of the members which is mostly of a domestic nature. The total amount of interest paid by the members is far more than the savings they make and therefore it may be asserted that viewed from the stand-point of thrift, the Urban Banks have not been successful. It is not the practice here to fix the creditworthiness of a member and therefore the credit of each member is practically unrestricted. The facility enjoyed by people to become members of more than one society of the same kind has multiplied the number of their credit centres, which they utilise to the fullest extent. Instances are not wanting where a person has simultaneously borrowed in 5 or 6 societies, far beyond his capacity to repay and has not only involved himself in heavy debts but even sought the assistance of the Insolvency Court. Unless some restriction is placed upon this privilege of borrowing in numerous societies at the same time, not only will many persons ruin themselves but many societies will soon find that a large proportion of their investments on such loans become bad debts.

The rates of interest on loans vary from 7½ to 11 per cent. according to the kind of security offered and the financial resources of the society. But it can be safely asserted that they are lower than the current local rates of money-lenders, though sometimes higher than the Banker's rates.

The interest on deposits is generally higher than what Joint Stock Banks of good standing pay on deposits for equal periods. The system of paying heavy rates of interest on long-term deposits which sometimes extend to periods even beyond 5 years though prevalent is not very common and is objected to by some. Such a practice acts as a heavy handicap in adjusting the rates of interest on loans at the current rate. Though the market rate of money is now low, many societies are unable to give the benefit of it to their members since a large proportion of their fixed deposits carry interest at a rate which is far above the current rate. The interest paid on Fixed Deposits varies from 2½ to 6 per cent. at present according to the financial stability and the needs of the society. Even now some societies pay an interest of 7 per cent. Some of these Banks have now each as many as 3,000 members. When the number of members was only a few hundreds, the General Meetings were attended by a larger proportion of the members and it was therefore more representative in character. With the increase of members, the General Body has ceased to be as effective as it once was. Many people do not attend the meetings at all. Only a few of them take interest and attend the meetings. It is complained sometimes that the General Body is not as informed as its position and responsibility would

require it to be. But the fault does not lie with the members, but with the society or the Government. If the management does not exert itself to inculcate the principles of Co-operation in those amongst its members who are uninformed, and if the Government also does not arrange through the Co-operative Department or otherwise to spread knowledge of the principles of Co-operation, it is impossible for the masses to understand what is expected of them. It is too much to expect of people who are indiscriminately admitted into membership that they should, after admission into membership, suddenly turn out to be thoroughbred co-operators.

No wonder, there are keen differences of opinion on the very fundamental principles, between members and members, which therefore lead to too many discussions in the General Meetings. In spite of the high education of a large proportion of the members of the Urban Banks, the development of them on healthy lines is impossible unless there is an intensive propaganda to disseminate correct principles and practice of Co-operation amongst them.

The conception of the powers of the General Body and its relationship to the executive which is its own creation, needs clarification. Co-operative societies are democratic organisations and the elected members of the executive are responsible to the shareholders who elected them. The General Body feels very often that it can pass resolutions even on administrative details and force the executive to carry them out. But frequently it happens that the resolutions, if carried out, will harm the institution. The Committees will then find themselves in a fix, for, if they carry out the resolutions, the institution will suffer, but if they fail to do it, the General Body will blame them. Therefore in the interests of the smooth-working of the societies, especially those which have a large number of shareholders, it is better to define in clear terms the exact powers of the Managing Committees and allow them full discretion to act within that limit, and prohibit the General Body from entering into the working details within that field. Otherwise, the Managing Committees will hesitate to function on their own responsibility and the efficiency and progress of the societies will suffer.

The Board of Directors generally consists of 15 members, all of whom retire every year. In some societies all of them can stand for re-election, though in others a few who are longest on the Committees cannot stand for re-election. Some societies while allowing everyone of the previous committee also to stand for re-election, eliminate a certain number of the previous committee members who get the least number of votes to be replaced by others from amongst the rest who get the next highest number of votes. Thus, at least four or five new

members are allowed a chance to enter the administration of the Banks every year. There is no qualification, either of the number of shares or otherwise, imposed for candidates to the Committees. Such qualifications once prevailed but have been latterly dropped. But there is a section of opinion which holds that a higher qualification than mere membership is necessary for one to enter the Directorate in the Urban Banks.. It is possible in bigger cities where there are numerous societies, for a person who is a member of a number of them to stand for election to the Boards of Directors of all the societies of which he is a member. There are instances where a member has been simultaneously a Director of eight societies. People have begun to protest against this practice on the ground that a set of persons monopolise most of the Committees and prevent others getting into them by manipulating votes; or even if a few others enter the committees these could be ignored as being in a minority in the committees. This criticism is not without some force and justification. The bigger institutions require the careful attention of all the Directors for their proper working and future expansion and development. But those who are simultaneously on the Committees of numerous societies cannot do justice to the requirements of any of them, but will simply support or criticise the one or two on the Committees who do all the work of the societies. It is sometimes complained that places of office-bearers on the committees of the societies are being distributed amongst themselves by a common understanding, and therefore that the few impose themselves in too many places. But this complaint is met by the argument that the Directors have to be elected and do not get in stealthily, and therefore that there is no force in the complaint. The situation is latterly assuming some importance as people have begun to notice it with a questioning eye. It remains to be seen what turn it is going to take.

The office administration is carried on by the paid staff. The Directors elect one of themselves to be the Honorary Secretary who is the chief executive functionary of the society. In some societies he is assisted by a full time Assistant Secretary who is a paid employee. There are one or two societies where the Secretary is a full time paid servant, but is not elected from amongst the Directors.

There are some societies which employ each more than 30 persons. Though their number is large their salary is low—far below what is paid for people performing similar work in the established joint-stock banks or in the Government offices. But it must be confessed that most them are untrained—though they pick up experience after they have been employed. No provision is made by societies to pay them pensions. It is usual to give them a month's salary once a year as

bonus and in some institutions to contribute a certain proportion of the salary towards their provident fund.

There is no institute for training people for Co-operative Service. Though the need for qualified men is felt, few banks have realised that they have to contribute towards the expenditure of a training school or that they should themselves arrange for training their employees after they are entertained. There is a notion prevailing that the State should bear the cost of this training. How far this demand is likely to be met by the State is not yet ascertained. Anyhow it seems to be a mistake to neglect this question until the State sees its way to meet the demand.

Except in one or two Banks, no sitting fees are paid to the Directors. The Honorary Secretary is generally paid a small honorarium which the Government has fixed at a maximum of Rs. 250 now. How long the onerous duties in big societies should be performed by the Directors gratis has not yet been taken into consideration, as the profits of only a few societies are big enough to pay for such service. Public opinion is opposed to the payment of any monetary return to the Directors, as it is said that such a step goes against the cardinal principles of Co-operation. But some hold the view that free honorary service is expected in village societies only, but not in urban banks which do a large volume of business and earn a large amount of profit. No principle really seems to be involved in this matter and practice varies. For instance, Societies in Italy do not pay anything except to the Secretary, while the German Societies do pay for all. Shulze himself held the view that all those who contribute their skill or labour for carrying on the affairs of the Bank should be paid their wages.

Some Banks have developed their membership and resources so far that they are obliged to set about thinking what to do next. The days when mere lending and keeping accounts properly may be recognized as sufficient administration of the affairs of a Bank are over. The Urban Banks which are lending to consumers to waste away the capital more often than to producers who utilise it for productive purposes should now find out what steps they have to take to fufil the purpose of making their capital really productive. Whether they have to finance the establishment of big industrial concerns or whether they have to finance cottage industries, if the latter which of them and how, should all be considered. Unless the Urban Banks hold conferences frequently and decide amongst themselves what policy they have to follow in future to fulfil their aims, they will be no better than professional bankers who lend to people on the basis of their security with

little regard to the way in which their money is utilised. That is a state of affairs which must be reformed.

The Urban Banks are all isolated units with no central organisation to which they are all affiliated either for common deliberation or for financial assistance. The need for the latter purpose is slight and, therefore, the formation of an organisation for that purpose may be left out of consideration. But the establishment of an association of Urban Banks to consider exclusively their own problems is quite essential. Government which introduced Co-operation solely to help the agriculturists is too much engrossed in the affairs of Rural Co-operation which has not succeeded to the extent expected. The attention paid by the Government or its officers to Urban Co-operation is comparatively very meagre. Even rules and circulars, appropriate only to unlimited societies, are forced upon these societies. Therefore there is a great need for urban co-operators to come together frequently to exchange their views and experiences and plan the development of their organisations. It is hoped that such a Union of Urban Banks will soon come into existence as a section of the Co-operative Institute if the Institute supports the principle, or independently of it if it opposes it.

Perhaps unconsciously, the mechanism of management of our urban societies has been modelled on that of the rural societies ; whereas with anything like a proper development and good size the work of an urban society is much more complicated than that of a rural society. The inadequacy of our mechanism is obvious.

J. C. Coyajee.

A. CREDIT SOCIETIES OF LIMITED LIABILITY IN THE MYSORE STATE.

Year.	No. of Credit Societies.	No. of Members.	Loans due.	Overdues.	Share (Paid up).	Deposits. Members & Non-members.	Reserve Fund.	Total Working Capital.	Profit.	Working Expenditure.	
			Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
1928-29	216	37,249	50,91,711	12,34,466	22,18,245	24,48,289	8,75,356	58,67,686	2,48,106	67,238	(27·1% of profit
1930-31	237	46,959	60,46,264	13,34,586	24,46,850	29,97,657	9,35,754	68,78,092	2,47,146	66,595	27·0
1931-32	248	50,493	63,27,377	15,05,610	24,91,685	31,76,805	9,65,982	71,95,312	2,64,186	64,874	24·6
1932-33	260	51,009	67,46,869	18,94,036	25,36,895	38,74,057	10,35,121	80,33,221	2,69,536	69,672	25·8
1933-34	264	51,841	66,54,555	20,92,269	24,74,785	36,98,755	10,23,970	75,42,060	2,57,820	68,007	26·4

B. THE 45 URBAN BANKING INSTITUTIONS IN THE MYSORE STATE.

Name of the District.	No. of Banks.	No. of Members.	Total Working. Capital. Rs.	Total Turnover. Rs.
Bangalore	17	9,839	41,23,738	2,17,20,935
Mysore	9	12,567	20,90,001	1,19,38,623
Kolar	5	2,752	5,91,616	12,74,241
Tumkur	5	2,810	4,39,611	6,75,653
Shimoga	3	2,075	4,87,129	17,29,700
Kadur	2	814	1,78,233	2,74,105
Hassan	3	1,182	2,56,860	5,08,455
Chitaldroog	1	691	1,05,677	3,94,420
Total	45	32,730	82,72,865	3,85,16,132

THE URBAN CREDIT MOVEMENT IN MYSORE

BY

Mr. K. Subba, Rao, B.A., LL.B.,
Deputy Registrar of Co-operative Societies, Mysore State, Bangalore

The Co-operative Movement in India is considered to be an agriculturists' one; perhaps it is more accurate to state that it was the need of the agriculturists in India that first prompted Government to introduce the system in this country. But strange to say the first co-operative society to be started in Mysore was an urban institution and the early organisations were almost all urban too. This is, I think, as was to be expected. When the Movement came to the country as a novel one, it was the city dweller that could earlier understand and appreciate its ideas and adopt them. Thus urban institutions grew rapidly in the State and from the towns the Movement spread into the villages. The first urban co-operative society in Mysore, the Bangalore City Co-operative Society was registered on 8th December, 1905 and by the next year there were as many as 9 societies in towns. Before long every town in the State had a co-operative society and some more than one. Out of the 1,998 societies in the State at the end of the year 1934-35, 453 were urban ones. Mysore has an area of 29,326 square miles containing 16,483 villages, four cities and 104 towns. The rural population is computed at 55,12,260 and the urban at 10,45,042 according to the latest census. For the 16,483 villages with 55,12,260 people in them we have 1,545 rural societies and 108 cities and towns have 453 societies for a population of 10,45,042.

Thus while we have a society for every 2,300 of urban population, we have one for 3,600 of rural population. Every District and Taluk Headquarters has got at least one society; the Bangalore City has got 80 and the Mysore City 51. An urban society has an average membership of 172 as compared with 43 in a rural society. The membership of the societies in the Cities of Bangalore and Mysore and in the District Headquarters is purely non-agricultural but in the societies in the Taluk headquarters while the bulk of the members are traders, artisans, labourers and Government servants, there is a good sprinkling of agriculturists too. There are a few societies for particular classes like merchants, labourers, Government servants, etc., but membership in all the other urban societies is mixed, the same institution containing persons of different callings and different positions in life. Excepting

the special societies, no institution has closed its doors to the depressed classes and women are freely admitted as members.

The urban societies in the State are with few exceptions all financially quite strong. They have every one of them—gathered sufficient funds of their own and scarcely any of them, excepting the industrial ones, desire help from Government or the Central Financing Institutions. Of 453 Urban Societies only 38 have borrowed from the Apex Bank or other Central Bank. Out of Rs. 28,09,043 which are owing to Government and the Apex Bank from the primary societies in the State less than Rs. 4,10,000 are outstanding against urban societies. The 453 urban societies had at the end of the year 1934-35 a share capital of Rs. 39,85,244, deposits of Rs. 103,44,847, Reserve and other funds of Rs. 26,45,182 and a total working capital of Rs. 174,49,072. This gives a working capital of Rs. 38,540 per urban society and Rs 221 per member, the same figures being Rs. 366 and Rs. 85 for rural societies. The paid up share amount forms two-ninths of the working capital and the deposits four-sevenths. They have all got good reserves too forming a sixth of the working capital and good portions of them have been invested outside. With only an interest rate of about 2 per cent. on current deposits and not higher than 5 per cent. on the longest fixed deposit, these urban societies have yet been able to attract decent deposits and the leading ones get a superfluity of them. The Bangalore City Co-operative Bank, which may be considered the premier primary co-operative urban bank in the State, has a share capital of Rs. 3,21,542 and a reserve fund of Rs. 1,00,760 and deposits to the extent of Rs. 14,90,796. It has been the experience of the City Co-operative Bank of Mysore that every time it raises its deposit limit, the higher sum comes in wholly within a few days.

These societies have all maintained adequate fluid resources, but there are few withdrawals excepting in the current account and such demands as do come are generally readily met out of the day's receipts alone without the need to draw from such resources. This has indeed led the city societies to indulge in long-term loans. We have several societies in the Cities of Bangalore and Mysore which lend for ten years and the Bangalore City Co-operative Bank lends even for two hundred months. They have come to no grief on that account. Such loans are, however, repayable in monthly instalments and I think it is greatly due to the regular repayment of the instalments and the fact that the deposits are on maturity, in a very large number of cases, renewed for further terms, that the societies have found no trouble in having such transactions. The circumstance that almost all the urban societies possess enough funds of their own to meet all their normal needs or can

themselves raise the necessary amount has made them feel quite independent units, neither seeking nor desiring contact with other institutions of their type. Only 171 are even affiliated to the Apex Bank. Not very much of their surplus funds go to the parent institution and there are even direct dealings between the primary societies. Excepting for this and common membership in many of the societies which are in my opinion sources of weakness and danger rather than cementing elements there is little co-ordination between the different institutions, even among such as are located in one place. The societies in the Mysore City have, thanks to the exertions of some ardent co-operators there, latterly federated themselves into a Union, but there are already signs of the weakening of this newly forged bond. The Provincial Co-operative Apex Bank convened a Conference recently of the Bangalore City co-operative societies with a view to the establishment of some machinery for co-ordinating their work but the Conference seemed to find little favour with the institutions concerned. There is some informal consultation, however, between the societies, when a person known to be a member of certain other societies as well seeks to raise a loan in any of them. In the societies organised since a few years back, admission of persons who have been members of other societies of the same type is strictly prohibited but most of the older societies observe no such restriction.

In speaking of the working capital of our urban societies, I wish to mention the extent to which they have succeeded in promoting thrift among their members as measured by their share capital, and members' deposits amounting to about Rs. 69,84,713. I may also mention that very many societies have made a special feature of their Thrift Deposits and Provident Funds and some big institutions have made it compulsory on the part of every member to continuously subscribe to such funds.

The Urban societies are as a rule well and efficiently managed, and they form fair examples of truly autonomous institutions and good schools for teaching self-Government. In almost all these societies there is annual election of Directors, the voting being by ballot. Now the elections in them all are governed by a uniform set of rules and procedure suggested by the Department. Elections to the Directorate are fought with as much keenness and vigour, as they are to local bodies and political institutions. Each member has a single vote and no voting by proxy is permitted. Even while the Regulation before its recent amendment authorised the grant of votes in accordance with share qualification in societies with limited liability, no society thought of giving more than a single vote to a member. Candidature is open to all members irrespective of his share holdings, the only disqualification,

as per rules recently introduced, being his remaining in default to the society. Some societies (a very small number though) require that no member shall remain on the Directorate for more than three years consecutively while in some fewer still, the Directors vacate their seats by turn only after three years and are eligible for re-election. Under a recent Rule propounded by Government under the Co-operative Regulation, no society can elect the same person as its Secretary for more than three years continuously except under sanction of the Registrar. One other restriction against eligibility to the Directorate in urban societies has been recently placed by Government by prohibiting its servants from standing as candidates without previously obtaining its permission. This was intended to give the co-operators among the non-official public, larger chances to take part in the management of the affairs of co-operative societies. Generally, all the urban societies have paid staff of their own, for clerical and menial work and but for this, service in all institutions is entirely voluntary, though the duties and the responsibilities of the honorary workers in several of the institutions are not a little onerous. In a very few institutions, the Directors receive some small sitting fees but this is a rare exception occuring in a very small number of societies and even this is discountenanced by the Department as well as the institutions themselves. Only the Secretary who has to sacrifice so much of his time for the institution receives some nominal honorarium, which is restricted to a maximum of Rs. 250 per annum.

The Directors carry on the business of the society through their office-bearers elected by themselves, their paid staff and their sub-committees, and by holding meetings once at least every month. Their actions are governed by the byelaws and the subsidiary rules framed under them. The accounts are audited annually by independent Certified Auditors whose charges are met by the societies themselves. Very many of them arrange for an internal continuous audit too by one or two of the members outside the Directorate chosen by the General Body and some of the bigger societies have their own paid audit staff in addition.

The Directors have to account to the General body for their administration of the society during the year at the annual meeting through a report to be presented to the General Body. This report together with the Auditor's report and the financial statements are to be published at least seven days before the date of the meeting and most of the societies print them and send a copy to every member. It is a very tame meeting, in which these reports and statements are not well discussed, criticised and commented upon before they are adopted. Interpellations are asked and answered and the weak points in the administration

are all dragged out, what are hinted at in the report and what are suppressed in the report. Much of the criticisms do seem irresponsible and do not always proceed from disinterested motives, and though the Directors generally come out in the end unscathed it is not without being subjected to strong and severe crossfire. This is especially noticeable in the larger societies and indeed the adoption of the report and the balance sheet forms the liveliest and longest part of the proceedings of the meeting. A couple of societies in the Bangalore City have maintained closer touch with their members through their biennial meetings.

Of the Central Institutions, the Apex Bank is the only live one and of great importance to the Movement. The District Banks and the Federal Unions are all almost dormant, are felt to be superfluous and are being wound up. This Bank, was organised and registered in the year 1915 and had a rapid growth. At the end of the year 1934-35 it had a membership of 1,232, consisting of 256 individuals and 976 societies with a paid up share capital of Rs. 2,45,896, deposits of Rs. 33,70,181 and a reserve fund of Rs. 1,58,075. It lends only to societies and also to a small extent to its depositors against their fixed deposits. The latter kind of loans has now been prohibited by Government, unless the depositors also happen to be members. Its present outstandings amount to Rs. 25,71,574 of which Rs. 23,17,353 are against societies and Rs. 2,54,221 against depositors. Its loans being mostly advanced to agricultural societies, its transactions have been greatly affected since the economic depression set in.

The Central Co-operative Bank is now actually a primary society having jurisdiction over the whole of the State. This looks strange but both its name and its wide jurisdiction are explicable by its origin and history. It was the first and only Central Institution organised in the State being registered in the year 1908 but like the earlier Central Institutions in some other presidencies it had loan transactions both with individual members and societies. In the year 1915 it was felt that a Central Institution that better accorded with the ideas of a true Provincial Bank was necessary and thus the Apex Bank then known as the Provincial Bank had its origin. The two institutions had at first co-extensive jurisdiction throughout the State and later different areas were assigned for the operations of the two, so far as lending to societies went, without interfering with the Central Bank's jurisdiction regarding loans to inviduals. In the year 1925 Government proposed the conversion of the Central Bank into a primary society without restricting its existing jurisdiction over individuals to which conversion the Bank was not unwilling. In order to obviate the conflict of jurisdiction

between the Central Bank and the primary societies working in the different localities, the former was prohibited from granting loans of less than Rs. 2,000 to a member outside the City of Bangalore. This explains what looks like another anamoly to an orthodox co-operator viz., that the Central Bank lends anything between Rs. 2,000 and Rs. 25,000 to an individual member outside the municipal precincts of Bangalore and directly, even in the distant nooks of the State. It is one of the biggest and most efficiently managed co-operative institutions in the State quite strong in its finances. Its reserve fund of Rs. 2,17,172 forming ¾ of its share capital is the highest in this Province for a co-operative society.

I have sought to give in the above paragraphs a general account of the urban credit movement in the Mysore State. As stated already the Co-operative Movement started here with Urban institutions and I think it may be safely stated that they have all been well organised, well managed and financially well off. They are not, however, flawless and improvements are needed and desirable in very many respects, but on the whole they have met with expectations in a very large measure, and while one cannot speak with the same confidence with respect to the rural societies, the Urban movement in this province may well be considered to have been soundly founded and capable of wide and useful developments. It has been the ambition of the Department that within a few years from now and so soon as the economic distress and the financial stringency may permit, we may count among the urban societies several non-credit institutions for organising the small artisans, stimulating petty industries and producing and providing for the requirements of all City dwellers.

Here in India, where there is a profound ignorance of European methods, some outside influence is necessary to advise and aid the villagers at the outset. This outside influence we propose to supply from the local popular bank.

Dupernex.

THE URBAN CREDIT SOCIETIES IN THE PUNJAB

BY

KHAN MOHD. BASHIR AHMAD KHAN, M.A., LL.B.,
Hon. Secretary, All-India Co-operative Institutes' Association.

CO-OPERATION MAINLY AGRICULTURAL

That the Co-operative Movement in the urban areas in the Punjab has not made the same progress as in rural areas is an open secret. The cause for this is not difficult to seek. Co-operation is born of necessity and this necessity is greater in rural than in the urban areas and therefore the development of the Movement has not kept the same pace in these two places. Moreover Co-operation in India was primarily started to remove agricultural indebtedness and that is still its most important aim. Though the urban population is also heavily indebted, the absence of landed security diminishes the safety of credit. There are, moreover, not many large industrial concentrations, where clients of " limited means " whose needs the Co-operative Act contemplates, can be found in sufficient numbers to make organisation easy. The poor population of the towns consists mostly of small traders, shopkeepers, artisans and persons following menial occupations. To the more prosperous of the middle classes, Co-operation does not seem to make a strong appeal. There is scope, however, for Co-operation amongst the poorer middle-classes as they contain an element of stability of character and occupation on which a structure of Co-operation can rest.

BANKING FACILITIES IN THE PUNJAB.

" The Punjab ", wrote the Provincial Banking Enquiry Committee in 1929, "is better equipped with banking facilities than many parts of India. Three quarters of the towns in India with a population of 10,000 and upward have no commercial bank. In the Punjab this is the case with only 19 out of 45. 13 towns or markets have each a branch of the Imperial Bank and of a Joint Stock bank ; 19 more have one or the other, and another 22 have a Central Co-operative bank or banking union. To compare the Punjab and the United Provinces . . . . the Punjab has 91 branches of commercial banks and United Provinces only 22."

CO-OPERATION IN TOWNS.

The smaller trades and crafts offer a big field for co-operative enterprise especially in the smaller towns and townlets. In the Punjab these are particularly numerous, and they are largely unprovided with

banking facilities; 67 per cent. of 45 towns with a population of 10,000 and upwards have a commercial or a central co-operative bank; 40 per cent. of the villages of the province have a co-operative credit society. But only 26 per cent. of the towns with a population below 10,000 have any banking facilities at all beyond a possible Out-station of the Imperial Bank or an occasional co-operative credit society, often designed as much to help the cultivator as the trader. This is in sharp contrast to conditions in the West. Over a large part of Europe it would be difficult to find any town or townlet, however small, without some kind of bank. In the Punjab, the part played by the bank in Europe has to a large extent been filled by the indigenous banker, an individual or firm receiving deposits or dealing in *hundis,* and doing this as its primary business, but this business has greatly declined due to the great development of commercial and co-operative banking.

The small man in the town is left to the tender mercies of the professional money-lender, who refuses to lend unless some valuable is pledged. The position bears some analogy to conditions in the village. There we have the peasant proprietor, who works with capital partly owned and partly borrowed, but on too small a scale to attract a small commercial bank. His counterpart in the town is the small shopkeeper, who may almost be described as the peasant proprietor of the town. He, too, works partly with his own capital and partly with borrowed, and on so modest a scale that no ordinary bank can handle his business at a profit. The need and difficulty may not be as great in the town as in the village, but they exist, as indeed they once existed in Germany and Italy. This is sufficiently attested by the remarkable growth of the Schulze-Delitzch banks in Germany and of Luzatti Peoples' Bank in Italy; and it is significant that in both cases the remedy applied was Co-operation. There is a special need for trying to apply the remedy in the Punjab. The smaller towns are suffering from the decay of the indigenous banker, and in part this decay is due to the growth of the Central Co-operative Banks which are seriously tapping his source of deposits. In the larger towns his place is being filled by the commercial banks, but in most of the smaller towns this is at present impossible. Since, therefore, Co-operation has helped to displace him, it should also help to replace him.

TYPES OF URBAN CREDIT SOCIETIES.

The Urban Co-operative Credit Societies can be divided into three main classes. (1) Societies for traders, businessmen and shopkeepers. (2) Societies for salary earners. (3) Societies for artisans. Here we are chiefly concerned with societies for traders, businessmen and shop-

keepers. The main object of these societies is to finance traders and small businessmen with credit both for their business and personal needs. Their principal business is short-term credit and in this respect they resemble largely the ordinary commercial banks. Their utility is two-fold. On the one hand, they undoubtedly attract in the shape of deposits much capital which would otherwise be lying idle or locked up in jewellery. On the other hand, they provide credit at reasonable rates, especially in districts where joint stock banks would not be able to operate owing to their higher overhead charges. In these societies the system of unlimited liability, which presupposes a limited area of operations and an intimate personal confidence between members, is obviously unsuitable.

On the Schulze Delitzsch model, with limited liability, Urban banks designed to finance businessmen and small traders are found all over the Punjab and are providing general banking service in small towns where the ordinary joint stock bank could scarcely operate a branch at a profit. Though Co-operation is far more strongly entrenched in the village than in the town, the town in the Punjab is not altogether neglected.

PROGRESS OF URBAN CREDIT SOCIETIES.

In view of the recommendation of the Punjab Banking Inquiry Committee that the urban banks should be developed in this province, a special enquiry was made in 1930 to ascertain the number of societies in towns. There are 146 towns in the Punjab, and all but 17 have primary credit societies. 9 per cent. of the urban population was touched by co-operative credit in 1930. Considering that little special effort has been made in towns, this is better than might have been expected and compares favourably with the 11 per cent. for the rural population. In the Punjab, it is now estimated that there are co-operative societies functioning in 45 per cent. of the villages of the whole province; the corresponding figures for the towns are not available.

Special efforts have been made during the past two years to develop small urban banks, Government appointed three inspectors in 1933 especially for work in urban areas, in order to develop a system of small urban banks recommended by the Punjab Banking Inquiry Committee. They were sent to Bombay to study the working of the very highly developed urban movement there. Most of the year 1934 was taken up in making a careful survey of the lines on which development is possible and laying down rules for the formation of societies along these lines. A few societies were also formed in accordance with the new principles and

attempts were made to bring some of the existing societies into conformity with them. In 1935 the urban societies showed signs of the activities of the special staff—of 3 urban inspectors—which has been working for the last two years ; the Gujranwala Central Bank also showed wisdom in contributing to the cost of a Sub-Inspector to start and supervise societies in the urban area of Gujranwala, which resulted in the formation of 10 new societies.

WORKING OF URBAN CREDIT SOCIETIES

The statement given below indicates the slow but sustained progress.

	1930	1931	1932	1933	1934	1935
Societies ..	505	533	534	567	591	623
Members on Rolls ..	29,877	37,812	35,026	37,315	39,066	41,689
Members new ..	4,267	5,169	3,480	3,153		
		In Lakhs of Rupees.				
Demand of Recovery ..	43	45	37	38	35	37
Recovery ..	53	54	49	48	55	63
Overdues :—						
(a) Principal ..	1·5	1·9	1·9	2·3	1·97	2·05
(b) Interest ..	1·9	2·8	3·2	4·3	4·5	4·48
Increase in deposits ..	6	1·5	0·5	1·9		

The number of societies has increased from 505 in 1930 to 623 in 1935, membership from 29,877 to 41,689 and the amount recovered from Rs. 53 lakhs to Rs. 63 lakhs. The overdues in principal and interest have risen from Rs. 1.5 and Rs. 1.9 lakhs to Rs. 2.05 and Rs. 4.48 lakhs respectively. Compared with urban banks of some other Provinces and States those in the Punjab are certainly weak in transactions, finance, outlook and service.

CLASSIFICATION

The following table shows the classification of the Urban Credit Societies for the past three years for which figures are available.

Class.	1932.	1933.	1934.
A.	28	28	46
B.	85	99	77
C.	372	373	375
D.	26	47	54
Unclassed	23	19	28

A brief account of the Urban Co-operative Societies in a few districts will illustrate their practical working.

URBAN SOCIETIES IN LAHORE

In Lahore there are 103 urban societies, including those for salary earners, with a membership of 21,571. The average membership per society is 210. These societies advanced Rs. 36,77,487 in 1934 as against Rs. 32,73,188 in 1933. This shows that the fear of new loans, which characterised the years of depression, is disappearing from the minds of the members and from the societies. The societies do not now hesitate to advance loans to their members for productive and legitimate purposes. Rs. 36,86,855 were on loans at the end of year. In these societies the most favourite rate of interest on loans is 9⅜ per cent. These societies can attract large deposits at 3 to 6 per cent which is much lower than what they have to pay on the loans from the Central Banks and therefore they can easily reduce their rate of interest on loans.

URBAN SOCIETIES IN GURDASPUR

There are 28 societies in Gurdaspur, 4 of these are of limited and 24 of unlimited liability. The number of their members is 1743. These urban societies in Gurdaspur advanced Rs. 2,23,509 in 1934 as against Rs. 2,40,092 in 1933. Rs. 2,15,785 were on loan at the end of the year.

The rate of interest on deposits allowed by these societies varies from 2 to 8 per cent in different societies, according to the credit they command in the market. One of the societies was registered in 1910. 608 members in urban societies are free of debt and 12 members have Rs. 33,480 as deposits with the societies.

THE ICHHRA CO-OPERATIVE BANK.

A brief note on the working of one of the leading urban banks will show the utility of such institutions. The Ichhra Co-operative Bank was registered on 13th July, 1929. The authorised capital of the bank is composed of unlimited number of shares of Rs. 100. each. Every member has to take at least one share, the maximum being 5. At present each member holds one share only. The liability of the members for any deficit in the assets of the bank is limited to five times the value of their shares. The Maximum Credit Limit of the bank is Rs. 45,000.

DEPOSITS.

It is compulsory for every member to make a monthly savings deposit with the bank for one or more of the following objects. The object is specified at the time of making the deposit and there is a separate

account for each object:—(a) The illness of himself or any relative dependent on or residing with him; (b) the education of any relative dependent on or residing with him; (c) the marriage of himself or any relative dependent on or residing with him; (d) the purchase of land; (e) the building of a residential house.

LOANS.

According to the bylaws loans may be granted to a member for any necessary purpose but they shall not be granted for extravagant or speculative purposes. No loans shall be advanced to a member who is not making monthly savings deposits. The Committee cannot grant any member a loan without security. However, in emergent cases a special loan up to Rs. 100 may be granted without security and irrespective of any loan already granted, provided it is covered by the value of shares or deposits and is approved by a two-thirds majority of all the members of the Committee. This special loan must be repaid in 5 equal monthly instalments. Interest at the rate of 9¾ per cent per annum is charged on each loan. The maximum loan or cash credit which may be given to a member is Rs. 2,000. No surety can guarantee more than Rs. 500. Fixed loans are for 3 years. Cash credits are on demand. The former are given to people wishing to build a house, the latter to business people. The advances, excluding the few exceptions which are all against fixed deposits, are granted to members. The Committee of the bank are intimately acquainted with the financial position of the borrowers and the value of the security mortgaged. The cash credits are all working well and fixed loans are being repaid satisfactorily. The security, generally, is adequate.

ADVANCES.

The advances of the bank mainly fall under three heads namely, loans, cash credit and overdrafts. In making such advances the bank entertains various kinds of securities, such as stock and shares, personal sureties, equitable or legal mortgage of landed property, life policies, and documents of title to goods. Among the Co-operative Banks in the Punjab, this is the only bank whose members enjoy the benefit of such a wide selection of security against advances.

CHEQUES.

The bank collects cheques, mostly drawn on Lahore, for its customers. The number collected in a year is about 2000. Its charge for ordinary amounts is one anna per cent. For amounts running into

thousands one pice per cent. There is very little profit in this business but it must be a great convenience to the bank's customers.

RECENT WORKING

The working capital of the bank amounts to about 1½ lakhs. The reserve fund is roughly Rs. 4,000. The total deposits from members and non-members are 1.25 lakhs. Rs. 21,000 were advanced as loans last year to members; and cash credit limits were allowed to the extent of Rs. 36,000. The bank earned a profit of Rs. 4,158 and Rs. 7,001 in 1933-34 and 1934-35 respectively and distributed dividend at the rate of 10 per cent.

RECENT RELIEF MEASURES

The following special measures were adopted by these societies to afford relief to their members to tide over their present difficulties:

(1) In most of the societies the system of rebate amounting to Rs. 3-2% in interest was adopted on punctual repayments. (2) Some societies changed their by-laws from indivisible to divisible profits. (3) Arrears of Central Bank demand were not carried forward to next year. (4) The rates of interest were reduced in a number of societies. (5) Societies credited all recoveries from members to their principal account without setting off anything towards interest. (6) The members whose loans happened to be in excess of the Maximum Credit Limit as a result of the reduction in the latter, were allowed accommodation to the extent of 75 per cent of their repayments. (7) An effective brake continued to be applied during the year to the tendency of the societies to have frequent resort to Arbitration proceedings. (8) Share money was deducted in the adjustment of loan account where a member wanted to leave the society. (9) The number of shares were reduced and the paid-up share money spread over the remaining period and fresh demands stopped. (10) The Central Banks reduced their rate of interest all over. (11) Easy instalment of loans and interest were fixed. Where necessary only partial interest was demanded. (12) Repayment of instalment was not strictly taken into consideration while making fresh advances.

These concessions have encouraged the members and have produced a very healthy effect on the working of societies.

POLICY FOR DEVELOPMENT OF URBAN SOCIETIES

A Conference of the Officers of the Co-operative Department was held at Lahore in November 1934 to advise on the policy to be adopt-

ed in the development of urban co-operation. It recommended that the best form of society suited for petty traders and shop-keepers was the Thrift and Credit Society with limited liability and fairly handsome shares.

CONDITIONS FOR GRANT OF LOANS

(1) *Personal Security.* It also suggested that in all urban societies all loans should be on personal security except in special cases. The remarks of the Townsend Committee of Madras in this connection are interesting. It states that "a large proportion of the loans given by these (urban) banks is on the security of mortgage; in fact some banks almost confine themselves to this business. We consider that urban banks should invest a much larger proportion of their money on the security of personal surety-ship and should pay much greater attention than at present to the repaying capacity of their members."

The Conference also recommended that loans should be subject to a limit laid down in the bylaws according to the circumstances of the society. Rs. 500 was suggested as a suitable limit in ordinary societies but in special cases the limit might be raised to Rs. 2,000 subject to conditions with regard to collateral security as the Assistant Registrar may deem necessary.

(2) *Mortgage Security.* Mortgage security of immovable property should only be accepted as a collateral. The value of this class of security largely depends on the mortgagers' title, on there being no prior charge on the property, and on the mortgage deed being correctly worded, executed and registered. A mortgagee, therefore, when lending against this type of security, to comply with reasonable business precautions, must (i) examine or have examined the title deeds to discover if they are complete and if the mortgagor is the sole owner. If for any satisfactory reason there are no title deeds, he should obtain the necessary certified extracts from the court. If there is any doubt as to the completeness of the title deeds, etc., he should consult a lawyer, (ii) have the court records searched for the prior 10 years and obtain a certificate that there are no prior encumbrances; (iii) have the mortgage deed drafted by a lawyer and (iv) have the mortgage registered.

Loans without security up to a small limit (Rs. 100) may be allowed provided that the member holds a minimum number of shares laid down in the bylaws. Lending against fixed deposits is permitted up to 90 per cent of the face value. No personal security need be taken for loans

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against fixed deposit receipts. In selected societies the general meeting may sanction cash credits to selected members.

(3) *Jewellery.* Loan against jewellery may be allowed subject to the following precautions :—(i) Reliable *Sharafs* should be appointed for doing valuation on a commission basis, (ii) The *Sharaf* should execute an agreement in favour of the society for making good any loss that might occur through his incorrect valuation, (iii) A limit should be fixed by the Committee up to which a certain *Sharaf* might certify valuation of jewellery, (iv) Proper arrangements for the safe custody of the mortgaged jewellery be made by the society, (v) Advances against jewellery should not exceed 50 per cent of its certified value, (vi) Personal sureties need not be taken and loans need not be counted towards maximum credit limits.

The precautions stated above do not materially differ from the suggestions of the Indian Central Banking Enquiry Committee which recommended that "urban banks may be permitted to advance money on the security of gold and silver ornaments, on the former up to 75 per cent and on the latter up to 50 per cent of the value. Such loans need not necessarily be limited to the individual borrowing power of the members as fixed by the Managing Committee. Greatest care is, however, required in valuing and holding in custody gold and silver pledged with the banks."

(4) *Stock-in-trade.* As regards advances against stock-in-trade the following precautions were recommended:—(i) Regular legal possession of the stock should be obtained by the society, (ii) Advances should not exceed 75 per cent of the market value of the mortgaged goods, (iii) Valuation should be done by an expert in the line, (iv) Stock-in-trade should be insured against fire and burglary, (v) This business should be undertaken by only large urban banks.

(5) *Maximum Credit Limit.* As for maximum credit limit the Conference recorded its opinion that it is very difficult to get an accurate idea of the income of the people engaged in trade and business; thus it is not possible to fix credit limit in terms of income. These limits will have to be based on the knowledge of the Committee and reputation of individual members. But it is suggested that no loan should exceed 8 times the value of a member's paid up share.

BANKING FACILITIES

Urban societies should afford facilities for savings bank deposits. They should be required to keep undrawn a portion of their cash credit

and other liquid resources, equal to 25 per cent of their total savings bank deposits. Current accounts should be opened by big urban societies. Cheque system should be encouraged. Selected Societies may be allowed to undertake Bills for Collection and Demand Draft business for their members.

All this is in agreement with the recommendations of the Indian Central Banking Enquiry Committee which stated " that there is no objection to these institutions doing all kinds of business to meet the requirements of their members, but they should be debarred from entering into forward delivery contracts in any market either on their own account or on account of the members. As money circulates more rapidly in urban societies than in villages, these urban banks on account of this special feature, do modern advanced banking business and deal with their members on current account. The granting of cash credits, dealing in cheques, collecting and discounting inland bills, clearing and remittance business have all been permitted nearly everywhere for urban co-operative societies and should be encouraged in India also."

BENEFITS

These urban banks undoubtedly act as a valuable credit agency to traders by providing them with loans on comparatively easy terms and they are bringing into the market much valuable capital which would possibly either be hoarded or locked up in jewellery or land at uneconomic price. They are teaching the principles of banking and finance generally to a large section of the people.

NEED FOR CAUTION

One of the dangers would appear to be that the society may become too large and unco-operative. If the personal touch is lost, and the criterion for granting loans becomes the members' ability to repay there is little to distinguish them from a joint stock institution. Careful definition of the area to be served, the existence of some nexus between members, a working acquaintance on the part of the Committee with members' income and a judicious fixing of credit limits are essential for the prosperity of urban societies. The success of this type of bank depends to a large extent on the control of committees and their knowledge of business principles generally. Where committees err, it is almost invariably from the lack of general business knowledge or from false notions or sentiments. It is true that some of the urban co-operative societies have sometimes been too free with the moneys at their disposal and granted loans to all who asked for them without care-

fully assessing their ability to save, and came to trouble. But then, they courted trouble and they must thank themselves for their difficulties.

CONCLUSION

Till recently the village has been chiefly the centre of co-operative activities in the Punjab. But now a beginning has been made to turn activity to the town where a vast field remains to be explored. The conditions prevailing in the town are radically different from those that obtain in villages. Urban life is characterised by lack of mutual knowledge, diversity of occupation, a more or less developed business instinct and egoistic tendencies. In order therefore to propagate the co-operative movement among urban classes in towns a special staff with urban outlook and capable of understanding their psychology was the urgent need of the Movement. The demand of this special staff was made by the Registrar many years ago, but the financial stringency stood in the way for some years. As already stated, Government sanctioned three Urban Inspectors in 1933 with head-quarters at Amritsar, Jullundur and Sialkot. This special staff was busy in studying their environment and surveying the ground to be covered during the last two years. Therefore the progress in the organisation of new societies was bound to be slow. Moreover the speed of progress in the new field has necessarily to be slow at the start.

"We are proceeding," writes the Registrar in his Report for 1934, "with great caution, and in consequence the chief complaint against these banks at present is that owing to the small amounts which they are prepared to advance and the great precautions under which they make their advances, they are of little use to the trading community for whom they are chiefly designed. It is, however, better to advance cautiously in this direction at first, rather than make large loans which may be difficult to recover later."

When once the urban classes are convinced of the usefulness of the movement, the speed would be accelerated and the leeway made up in no time.

URBAN BANKS IN BIHAR AND ORISSA

By

MR. V. M. THAKORE,

Secretary, B. & O. Provincial Co-operative Bank, Ltd.

Bihar is very thickly populated and contains a very large number of towns which possess no banking facilities whatsoever. All the towns have a fairly large population of petty merchants and shop-keepers and a sprinkling of artisans. As the province has no seaport and consequently no commercial centre of great importance, the trade is chiefly confined to retailing the requirements, except for the few wholesale merchants who export the produce of the land. The ordinary business of most towns therefore is too small to enable a branch of a Commercial Bank to function profitably.

Considering all the factors Bihar provides an excellent field for the organisation and management of Urban Co-operative Banks. The progress so far made in this direction, however, has not been impressive. Little attention has so far been paid to the organisation and development of urban credit on co-operative lines and many of the existing institutions owe their origin entirely to the initiative of local workers. Due to the general ignorance of business methods and even ordinary principles of banking, many of the existing institutions have not yet been able to show any signal progress or development and they leave much to be desired in the soundness of their methods of work.

Out of a total number of 75 Urban Credit Societies only 11 are People's Banks of the approved type. The total membership of these 11 People's Banks is 33,481 with a total paid-up share capital of T Rs. 111, reserves of T Rs. 75 and working capital of T Rs. 859. The four important banks in this class are the People's Bank of Patna City and the Traders' Banks of Bankipore, Muzaffarpore and Darbhanga. All these 11 banks accept deposits and give loans to their members. Their membership is not confined to traders and artisans but also includes lawyers, doctors and salaried servants of the State and private institutions. Loans are given both against mortgages as well as personal security but in several banks mortgages are preferred. Loans are advanced to all members, not necessarily for trading purposes only, for long periods

*T.Rs. denotes thousands of Rupees.

of two years or more and are repayable in monthly instalments. In addition to fixed loans some banks also give cash credits to their members for current requirements.

Some of these practices of People's Banks in Bihar and Orissa are in contravention of the approved principles of such banks organised either on the Luzzati or Schulze Delitzsch system. None of these banks maintain adequate fluid resources to meet their liabilities but depend entirely on their financing banks for such assistance when needed. One of the banks has invested nearly one-fifth of its total working capital in constructing several houses to be let out on rent. In all these banks, considering the class of people with whom they deal the percentage of overdue loans is very heavy. This is due partly to the present economic depression and partly to the incorrect method of granting loans to members. Most of these banks do remittance business on behalf of their members. Considering their popularity their future is assured if right advice and direction could be made available to them.

In addition to the People's Banks there are several salary-earners' societies, all of which are doing well. The first important group consists of 13 societies situated in Patna. This group contains nine provincial societies and four societies for the ministerial staff of the Government Secretariat in Patna. Out of the nine societies, the Post and Telegraph Society, the Police Officers' Society and the Provincial Civil Service Co-operative Association are big societies, each commanding resources of several lakhs of rupees and which can be classed as Urban Banks. The remaining Societies, i.e., of the Education Department, the Income-tax Department, the Co-operative Department, the Excise Department and the Agricultural Department and the Auditors' Union are comparatively small. With regard to the four societies of the ministerial staff of the Government Secretariat, they formerly formed one society called the Secretariat Co-operative Banking Society. This was recently split up into three for Bihar, Bengal and Oriya Hindus and one for Muhammudan employees of the Secretariat.

All the above societies except one are for Government servants serving in different departments and in different capacities. Care is therefore taken to see that a member of one society does not become a member of any other society. All these societies accept deposits and advance loans for all purposes to members. As the societies are of salary-earners and as in most of them the consent of the office is obtained for the recovery of dues from salary bills, little difficulty is experienced in the matter of recovery of loans from members. None of these societies, except that of the Provincial Civil Service Association members, maintains fluid resources. Some of them have introduced

schemes for compulsory savings in the shape of Provident Fund Deposits of members, while a few have introduced Death Benefit schemes for the successors of deceased members. In such schemes no risk is undertaken by the society itself but in case of death of a member a Death Call is made on the other members who have agreed to subscribe to such calls and the amount so collected is paid to the successors of the deceased.

Another important group of salary-earners' societies is situated at Jamshedpore and consists of "TISCO" societies. Practically each Department of the great Tata Iron and Steel Company has a separate society of its employees which encourages thrift and makes loans available to members at cheap rates. Some of these societies command resources of over a lakh and can be classed as Urban Banks but their number is small. All these societies have been organised and supervised by the Welfare Department of the Tata Works and their working is satisfactory. The total paid-up share capital and reserves of these "TISCO" societies amount to TRs. 918 and their total working capital to TRs. 1,337.

In addition there are several other societies of Municipal and Railway Employees and of Depressed Classes in different places but most of them are very small although their working is not unsatisfactory.

Apart from the salary and wage-earners' societies, the working of People's Banks leaves much to be desired both from the soundness of their finance and the efficiency of their work. No improvement in their working can, however, be effected unless they are placed in charge of a Special Assistant Registrar, who has received proper training in banking and is well conversant with business methods and procedure.

Mere numbers are not a measure of success in co-operation. Quality is the test, and quality is to be measured as much by the extent to which membership improves the general outlook of the individual member, as by any betterment that it may effect in his economic condition.

Lord Linlithgow.

URBAN CO-OPERATIVE CREDIT IN BURMA

BY

MR. U. MAUNG GALE,

Officer-in-charge of Urban Co-operative Societies, Burma.

The Urban Co-operative Movement in Burma began in the year 1908. The earlier urban societies were of the Raiffeisen type but later the Luzzati model was adopted. Before the year 1918, the number of urban societies was few and a real impetus was given to the Movement only after the appointment of an Assistant Registrar for Urban Societies in that year. The statement below shows the growth of the Movement during the past 15 years.

Year.	No. of Urban Societies and Town Banks.	No. of members.	Shares.	Deposits.	Loans to members.	Reserve Fund.
			Rs.	Rs.	Rs.	Rs.
1920	123	15,292	12,15,483	6,45,083	17,47,694	97,970
1925	173	28,161	29,41,090	15,53,001	43,45,442	3,53,752
1930	161	27,924	45,33,155	11,27,882	47,99,290	5,65,433
1935	150	33,618	61,63,956	4,16,379	47,11,614	4,52,769

The effects of the world depression in trade have left their marks on the Movement in Burma as in other parts of India and the urban societies and town banks have passed through troublous times; but fortunately for them, they have managed to weather the storm better than their sister societies of the rural areas.

A regrettable feature of the Movement was the entanglement of the urban societies in the political movements of Burma between the years 1925 and 1930. The result was the liquidation of a considerable number of societies which might have continued to flourish up to the present day, had they kept themselves aloof from political activities. Party factions came into being and the co-operative spirit was often replaced by much political enthusiasm. The Burma Urban Co-operative Central Bank (now in liquidation) which was doing good banking busi-

ness in remittance and cash credits took the lead in this respect and the decline and fall of the Urban Co-operative Movement in Burma between the years 1925 and 1930, was in a great measure due to the political tendencies of this Central Bank to which were affiliated all the Urban Societies in Burma excepting those situated in Rangoon Town. In order to gain popularity and thereby to secure more political adherents to his side, the Manager of this Central Bank even issued large loans to undeserving societies against the mandate of the Committee of the Bank. The non-repayment of these large loans was the inevitable result and many of the societies had therefore to be placed under liquidation. Only such societies as differed in opinion from the Manager and his supporters in matters politic survived, because they had been refused these unnecessarily large loans. Fortunately or unfortunately for them, the Registrar adopted a policy of *laissez faire* which found great favour with the societies at the time. The liquidation of the Burma Urban Central Bank which followed shortly after the wake of these happenings was, however, due not only to the heavy losses which resulted from mismanagement but also to considerable sums of money being misappropriated by the various Branch Managers as well as by some of the staff of the main Bank. The liquidation of the Central Bank was followed shortly after by the fall of societies which were heavily indebted to it.

But the misfortunes of the urban societies did not then cease ; for no sooner had the undesirable elements been eliminated and the political tension within societies relieved, than they had to contend against the effects of the world-wide depression in trade which brought in its train economic ills from which the urban societies have not as yet fully recovered. Some have weathered the storm but many have landed themselves on the rocks of liquidation. Despite these discouraging circumstances, the figures for the year 1935 are not unfavourable and perhaps a word of explanation is necessary for this paradoxical statement. While the urban societies and town banks outside the city limits of Rangoon were vitally affected by the political movement and the economic depression, the urban societies not only in Rangoon but also in such large towns as Akyab, Mandalay and Maymyo remained active and continued to do excellent work. The decrease in the number of societies situated in the districts was therefore counterbalanced by an increase in Rangoon town alone in which there are now over 30 societies in existence.

It is worthy of note that all the urban societies in Rangoon belong to the Indian community among whom the spirit of co-operation continued to remain alive in spite of many vicissitudes. It is also a matter

for gratification that these societies in Rangoon have worked with their own subscribed capital, that is, by not even accepting deposits from the members. Overdue loans due by members were also few in number. There are, however, a number of grave defects in the working of these urban societies which detract from the value of the good results achieved. The membership of the societies is sometimes too large and mutual supervision which is so necessary in a truly co-operative society is generally lacking. Unlike rural credit societies, the purposes for which loans are granted cannot be restricted to productive purposes and sentiment as well as customs both social and religious require that loans should be issued for multifarious purposes—a circumstance which enables a member to obtain a loan at any time on some pretext or other. Loans given to members are therefore often misapplied and supervision in this respect has often been found to be too slack. Members were found to have been granted loans more than once for the purpose of liquidating old debts or merely for liquidating recent debts without assigning any definite reason and the Co-operative Department is now endeavouring to check the tendency to commit such breaches of the by-laws. Purposes for which a loan is usually granted in an urban society are (1) building or purchasing a house ; (2) educating children ; (3) liquidating debts incurred prior to admission into the society ; (4) illness of the borrower his family or his dependents ; (5) litigation and (6) marriages and funerals or other ceremonies, which in the opinion of the Committee are on a scale suitable to the borrowers' income and station in life. Recently formed societies have even added purposes of trade as one of the legitimate reasons for the issue of loans. In short, the tendency of urban societies is to deteriorate into mere money-lending concerns in which the greed for high dividends is all too evident. Nor is it an easy task to stifle this tendency because the more thrifty among the members have come to look upon the society as a means of increasing their savings from which it is but natural that they should expect to obtain a fair return on their capital. In some of the large salary earners' societies, monthly subscriptions from members have so much increased their working capital that there is actually a surplus of money which cannot be more profitably employed than in the purchase of gilt-edged securities or in deposits in commercial banking concerns.

Liquidations of societies have generally been barren of results in that the attachment and sale of properties, whether lands or houses, have not been successful. Outside the large cities, house property cannot be easily sold as there is a lack of buyers. The same might be said of landed property for which outside bidders are few and far between at auction sales. In the majority of cases, the liquidators have been forced to buy up the properties themselves. The tightness of the money

market, coupled perhaps with sentimental reasons which prevent neighbours from bidding, have contributed largely to such results and liquidators have generally accumulated much property in their hands. In the living societies and banks also, there has been much accumulation of properties which have either been bought up at auction sales or voluntarily surrendered by the members in discharge of their debts. The disposal of these properties is a problem which has not as yet found a solution. Some depositors have been good enough to accept houses and lands at their current market values in lieu of their fixed deposits but the majority have remained adamant and insist on the return of their money. A scheme of reconstruction of societies which have accumulated much property in lands and houses is under consideration. It is proposed to hand over the properties to the original owners on the rent purchase bond by which the purchase price at the current market value will be repaid in equated instalments spread over a period of years. Unrealisable assets will have to be written off against the large amounts which have accumulated in the Reserve Fund which, as in the Punjab, has hitherto been utilised in the issue of loans to the members themselves. This scheme of debt conciliation is however largely dependent on the good will of the depositors and it is left to be seen how long the latter are prepared to wait for the money which would otherwise have been lost in liquidation and other expenses.

Not the number of societies in a Province is decisive, but their efficiency. Inefficient societies discredit the co-operative work. It is not so difficult to form new societies as to run existing societies on sound lines.

Foreign Banking Experts' Memorandum
to the Indian Central Banking Committee.

THE SIZE AND CONSTITUTION OF URBAN SOCIETIES

By

Mr. K. C. Ramakrishnan, M.A.,
Economics Department, University of Madras.

The conception of a co-operative society as a compact and closely knit association of individuals of particular economic or social strata may hold good for ever in the case of rural unlimited liability societies of the Raiffeisen type. This type still preponderates in India and deserves the special support of the State. But it cannot, beyond a limit, serve as the model for other types of societies, whose special needs should be recognised even by a State with a predominantly rural bias.

Early Opposition to Large Societies.

Unfortunately the constitution and administrative control provided for the large urban societies have been closely modelled on those provided for small rural credit societies. The State and the public have become so much accustomed to considering the two types as the same more or less, that it is not now easy to convince them of the real difficulties felt by the management of the larger societies and of the need for reform of their constitution. The Maclagan Committee, for instance, stated: "The main principles which govern the administration of agricultural credit will be equally applicable to the organisation of non-agricultural and non-credit societies." The distinction, however, that they clearly made was that large, urban societies could not be really so co-operative as the small, rural societies. "Large societies are to be deprecated", for they "must inevitably lose their co-operative character."[1] This belief in the inherent contradiction between larger size and co-operative character which has persisted for a long time in the minds of British administrators in India is rather strange, as it does not seem to have existed at any time in Great Britain and the unmistakable trend of recent developments has been towards a great increase in the size of societies, though they have not been oblivious to the problems that size has given rise to, as we shall presently see.

Later Encouragement of Size

Opposition to larger size has, however, been wearing down in India. In the case of urban credit societies, the Townsend Committee on Co-

1. *Report of the Committee on Co-operation in India*, **1915**, pp. 6, 11 and xi.

operation in Madras did not countenance the idea of restricting the number of members. They indeed favoured larger size as they thought that the business of such banks was more technical than personal; that mutual knowledge among members was of little consequence when the liability was limited; that the best technical knowledge was obtained when adequate payment was made and that the larger the bank was the larger were the funds available for such payment. They added: "We found banks with 2,000 members doing very well, while many of the smaller banks were not prospering".[2] The revised Madras Co-operative Manual contains the official view which does not encourage splitting as of old but favours large size and suggests "the formation of local branches, each with a limited area of jurisdiction and a local committee".[3] This question has been discussed at some length in the three Madras Urban Banks' Conferences held in 1928, 1932 and 1933, and the opinion has been almost unanimous that there should be no impediment to growth in size, though there have been differences of opinion as to the devices that should be adopted to preserve the co-operative character of the institutions. The view of the leaders in Bombay, noted for its development of Urban Banks, is well expressed by Prof. H. L. Kaji, who presided at the third of these conferences. He was gratified to note that in Madras societies were "trying to expand into bigger and better financial bodies than before'. He said: "A bank does imply large-scale operations and the Bombay practice seems to me sounder, since the smaller the working capital the more inefficient and ill-paid the staff and the more unsatisfactory or unprogressive the management".[4] The finding of the Indian Central Banking Committee, however, is not quite clear on this subject. "The development of large urban banks should be encouraged, though restrictions on the area of operations may be considered with reference to the extent of population of the towns served by these banks, so that the operation of the banks

2. *Report of the Committee on Co-operation in Madras*, 1927-28, p. 48.
Schulze, the German founder of urban banks, would not himself hear of limiting membership to any class or calling, nor the area of a bank to any particular 'district' but would leave it to the bank itself to decide over what area it could with safety extend its services. The more members there were the safer would the bank be, the less would its management cost and the more substantial would be the security which it had to offer. H. W. Wolff, *People's Banks*, pp. 91, 92.

3. *The Madras Co-operative Manual*, Revised by H. M. Hood, p. 63.

4. *The Madras Journal of Co-operation*, 1933, pp. 480, 488.
Even in Bombay there was misconception in early days. "Financing the small man has been understood to imply a small scale of business."—H. L. Kaji in his Introduction to *Co-operation in Bombay*, p. xlviii.

may not become unwieldy."[5] This is not followed up by any discussion of optimum size, nor of the solution for unwieldiness.

AMALGAMATION THE ORDER OF THE DAY

As for Distributive societies, or stores, the economies of large-scale purchase, production and distribution of goods and the reduction of overhead charges in respect of establishment, not to speak of the wider choice offered for the selection of the personnel for management, do so much outweigh the social and constitutional disadvantages of wide jurisdiction that amalgamation has become the order of the day in the West. There are mammoth store societies in Europe and America that reckon their membership in tens of thousands and their branches in hundreds. In countries where co-operation has taken firm root, the tendency is for the number of societies to go down while the number of members is steadily increasing. This is amply borne out by the figures supplied in the *People's Year Book* (1935). The average number of members for each retail society was 6,015, which exceeds slightly the membership of the biggest co-operative store in India, the Triplicane Urban Co-operative Society (T.U.C.S.), "but this figure gives no indication of the importance of larger societies. More than half of the membership belong to societies each with more than 30,000 members".[6] As F. Hall and W. P. Watkins point out: "This decline in number of societies was not due to the failure of societies, but to greater concentration resulting from the propaganda in favour of amalgamation and the growing feeling that such greater concentration was essential if the movement was to be successful in its combat with the more highly developed capitalistic forces of post-war years"—found in the chain stores and multiple shops. "That the reduction in number of societies was not due to declining faith in co-operation is demonstrated by the figures of membership". And "membership is only the beginning of a series of developments of which the most important are capital accumulation, trade, production, employment, the development of wholesale trading activities and the control of raw materials and sources of supply."[7]

5. *Report of the Indian Central Banking Committee*, 1931, Vol. I, Part I, p. 256.
6. *The People's Year Book*, C. W. S., 1935, p. 80.

Growth of Retail Societies in Great Britain.

Year.	No. of Societies.	Total membership.	Sales in £.
1913	1,387	2,878,648	88,590,374
1918	1,364	3,846,531	155,157,963
1924	1,314	4,702,868	175,077,825
1929	1,234	6,168,994	216,967,099
1933	1,150	6,917,138	197,257,009

7. *Co-operation*, 1935, pp. 202, 203.

SIZE OF SOME STORES AND BANKS IN INDIA

The Store movement has been far from successful in India. The most notable successes have been in Mysore and Madras. Mysore city has 3 societies with a membership of about 5,000, while Bangalore city has 7 with a membership of 6,000. By far the largest store in India—excluding the stores of Railway employees—is the T.U.C.S. in the Madras city which has at present a membership of nearly 6,000, with 25 branches. There should be several stores in India with membership of more than 500 each; at any rate, the provision for the amalgamation as well as division of societies made in certain Provincial Amendments to the Co-operative Act may result in an increase in the number of large sized societies, with membership of more than 500.

In any case there are quite a number of urban banks in the country with membership of more than 500 each, which may be deemed to be of large enough size to be economical but which gives rise to difficulties of administration and particularly deliberation among the members of the General Body that is still invested with all the powers that the original India Act intended for small societies. The new Acts do not contain any provision for the much needed alteration in the constitution of the supreme governing body of large societies, as has been adopted in recent times in other countries, as will be seen below.

DIFFICULTIES OF DELIBERATION AND ADMINISTRATION

It must be patent to the simplest mind that when a society consists of 500 or more members it is beyond the physical capacity of many a meeting place to hold the members entitled to attend, if a large majority choose to turn up. Granting that there are halls in towns and cities which may accommodate the number ever likely to attend it is vain to expect any adequate and orderly deliberation, if more than a couple of hundreds turn up. Safety has often laid in a thin though unrepresentative house, which is neither a matter for satisfaction to the management nor fair to the very large number of shareholders whose interests are involved but whose sense of responsibility cannot be roused for one reason or another.

EXPERIENCE OF THE T. U. C. S.

The writer of this paper has been in close touch for over a decade now with the T.U.C.S., whose membership has ranged from 5,000 to 6,000 in the period, and has attended most of its General Body meetings, which for liveliness would be hard to excel. Meetings at which lunch is provided or election of auditors is part of the agenda are generally the best attended, though even then the highest has not come up to 300,

which is a little less than 5 per cent. of total membership, while often attendance has been less than 100. Sometimes meetings could not be conducted or have had to be closed abruptly due to want of quorum, which is as low as 25. An analysis of the attendance in recent years attempted by the writer (vide Appendix) reveals the unrepresentative character of the gatherings from the point of view of the different Branches of the Society. But when the number exceeds a couple of hundreds, even with the strongest of Chairmen, it is vain to expect calm and dispassionate consideration of any question. Discussion often becomes heated or haphazard, decisions are taken on the spur of the moment and slowly built policies are sometimes upset. The bye-laws of this Society have conferred distinctly on the Board of Directors the powers of administration; but the decisions of the Board are often called in question by interpellations or resolutions, the answers of the Board seldom satisfy the majority and censure motions on the management have not been uncommon. Perhaps they were sometimes deserved. But a detached student of Co-operation could only pity the Directors who had to be almost always on the defensive—a position which is not helpful to growth. If in the British constitution 'The King can do no wrong', in the T.U.C.S convention 'The Directors can do only wrong'. The attitude of the large majority of members who stay away from General Body meetings, partly deterred by the stormy atmosphere there, grows gradually into one of apathy and indifference and the vicious circle is not broken.

A MYSORE COMPLAINT

A similar complaint has emanated from Mysore, which has a number of well-developed urban banks and stores. Mr. A. S. Krishna Rao presiding over a recent conference observed with reference to urban societies with hundreds of members: "The Directors in charge of the administration of these institutions should be given, as regards the internal management, definite powers untramelled by the undefined control of the General Body. This would greatly minimise the tendency growing at the General meetings of these societies where most of the members do not possess sufficient knowledge of the details of working, to pass resolutions over-riding the decisions of the Directorate even on matters expressly assigned to them by rules, thus causing great confusion and shaking the confidence of investors in these institutions."[8]

APATHY OF MEMBERS IN BRITISH SOCIETIES

Thin and unrepresentative attendance is not a failing confined to India. In Great Britain the earliest and the greatest home of Con-

8. *The Indian Co-operative Review*, October 1935, p. 549.

sumers' Co-operation, the society with a huge membership is, according to S. and B. Webb, "not a live democratic community", the members are "not alert, active or public spirited" and only two to five per cent. of the members are said to attend the quarterly General Body meetings.[9] Prof. H. J. Laski gravely observes: "The statistics of attendance at members' meetings reveal an apathy which is widespread and alarming; obviously it is difficult to persuade the mass of the membership to an expression, at once vivid and coherent, of their views".[10]

On the other hand, the power for mischief of a militant minority which "is now emerging from the field of theory to the realm of fact" is well brought out by a writer in *The Co-operative Review*. He points out that while minority vote controls democracy, co-operative as well as political,—as revealed by analysis of votes cast in both spheres—co-operative organisations have not suffered hitherto as it is the *loyal* minority that has so far succeeded in sending their representatives to power, and these have been faithful to co-operative ideals, whatever be the active backing. But recent events have shown the potentiality for mischief of an active *militant* minority who 'working within the constitution concentrate on organising sufficient voting strength to defeat the loyal minority at the ballot" with their eye on executive control.[11] Hall and Watkins complain of "attempts frequently made by members at a general meeting to secure the over-riding of a Committee decision which it is beyond the power of such a meeting to alter."[12] If all this could happen in country whose citizens are noted for "love of order, respect for discipline, spirit of solidarity and passion for organisation", as Charles Gide characterised the British in accounting for their success in distributive co-operation in contrast with the Latin races of Europe,[13] no wonder we hear of the creaking of the cumbrous machinery of the General Body in the large societies of other countries.

DANGER FELT IN GERMANY

Theodor Cassau wrote of German Consumers' societies: "A consumers' co-operative movement with a capacity for achievement cannot do otherwise than engage in operations on a large scale; and these call for a consideration of the basic principle that the co-operative

9. *The Consumers' Co-operative Movement*, p. 49.
10. *The Recovery of Citizenship*, p. 18.
11. F. R. Worts, Menace of Militant Minorities, *The Co-operative Review*, July 1934.
12. *Co-operation*, p. 275.
13. *Consumers' Co-operative Societies*, p. 166.

society is a *neighbourhood union.*" "With the growth of the societies, the General meeting became an inorganic part of the constitution and one, which, though not dangerous in normal times, might nevertheless have disastrous effects, when any disturbance took place in consequence of its being unsuitable in regard to the development of large-scale operations." He went on to say "There was a shake of the head by the practical men everywhere; the danger was recognised for many years but there was hesitation to alter the law till 1922."[14]

THE CO-OPERATOR'S DILEMMA

The Co-operative Movement is indeed placed in a dilemma. The trend of economic progress necessitates an increase in membership and transactions, but with every increase in size the individual member's control over his society and its policy is necessarily reduced. 'Democratic forms may remain but the substance has vanished.' The problem is how to reconcile in large societies 'the conflicting needs of business efficiency and democratic government.' Large scale business involves specialisation and specialisation entails delegation of power. Is it advisable for the rank and file of members to take part in the government of a large society, consistent with the 'need of promptitude, firmness and precision in detail—in a word, executive efficiency'? If not, to whom and in what order shall the power be delegated? On the other hand "all are agreed that an organisation in which the members are prevented from exercising authority or neglect to do so can have no standing as a co-operative society."[15] How can the members' mandate on essential matters be directly ascertained in large societies?

THE NOVEL DEVICE OF DIVISIONAL MEETINGS

It is with a view to satisfy this craving for direct democracy, if we may say so, "to stimulate wider participation in the affairs of the society by the rank and file of members and make more effective the influence of membership on administration" that "a novel device, unknown to political science" has been adopted in several societies in Great Britain. The General Body meeting is retained, but its functioning is sought to be made more real and effective in the following way. Instead of holding one unwieldy General Body meeting at the headquarters of the society, it is split up into a series of Divisional Meetings held periodically but not in all divisions on the same dates. In such meetings only identical resolutions or amendments, of which due previous notice has

14. *The Consumers' Co-operative Movement in Germany*, pp. 25-29.
15. Hall and Watkins, *Co-operation*, p. 264.

been given, are brought up for discussion and vote by members. While no member can vote in more than one meeting, one may speak wherever one likes and influence the votes of others. These Divisional meetings are legally parts of one General Body meeting. The votes polled in all the meetings for and against motions in the agenda are added up to ascertain the decisions that must be acted upon. Even elections of Directors and Auditors are said to be held at such meetings.[16]

This 'novel device' resembles in some respects the method of the Referendum and is perhaps the best means of ascertaining the mandate of members on broad issues of policy and for election of representatives to a central council, as suggested below. It may interest readers of the *Indian Co-operative Review* to know that this device is now suggested by the Department of Co-operation in Madras for adoption by the T.U.C.S., and it is under consideration at present by the Board of Directors. We are afraid that a Branch or Divisional meeting may not succeed if what is wanted is detailed deliberation involving direct and rapid interchange of ideas among the members of all branches and the Directors or the discussion of administrative matters. There is also the danger to be guarded against of developing in divisional or branch meetings sectional patriotism to the detriment of the larger interests of the society as a whole. Indeed progress has often been blocked by the weaker branches with low sales voting in one way and the stronger ones in the other way at large General Body meetings, and this difference might well be accentuated if in local meetings affairs of the whole society were to be discussed.

REPRESENTATIVE BODY

It is to introduce a certain amount of unity, continuity and steadiness in the administration of bigger societies and to facilitate due deliberation of all questions of policy and a close scrutiny of the action of the Directorate that the characteristic device of British political democracy, a Representative Assembly or Delegate Committee intermediate between the Directors and the Executive on the one hand and the General Body of members on the other, has been recently adopted in the co-operative law of several countries, as noted in Margaret Digby's *Digest of Co-operative Law*.

Britain is a lover of conventions rather than of written constitutions and does not change her laws rapidly. "It is not the way of England to make a legal cradle and then find a baby to fill it. The baby arrived, born in the pangs of social distress; and the law found a cradle

16. S. and B. Webb, *The Consumers' Co-operative Movement*, pp. 52-54.

for it."[17] But several large societies have, as a matter of practice, adopted the device of a representative assembly to suit changing conditions. The Divisional Meetings spoken of above elect each a number of Local Committee men and women, who besides looking after the affairs of the local branch or group of branches are assuming the role of representatives with independent powers of sanction and initiation and they all meet the Directors in conference. The Directors dare not ordinarily defy these Local Committee men and women assembled, lest in the General Body meeting which is still retained for purposes of passing the accounts and declaring dividends, the members should exercise their original powers of drastically dealing with the Directorate. In the result instead of the old cumbrous General Body with its 'spasmodic mass votes', a smaller but sufficiently stable and clearly recognised body of representatives who can exercise continuous control over the management and executive actions has been evolved. It is not, however, still a statutory obligation on societies, however large they may be, in Britain to constitute any such delegate or representative assembly, as it is now in many of the European countries.[19] In fact Continental societies have led the way in this as in some other matters.

REVISION OF LAW IN EUROPE

In Central Europe and Russia, though the Co-operative Movement has now become either attenuated or been subordinated or suppressed by the Socialist or Fascist Governments the experience of the past, so far as reform of the constitution of societies to suit the size is concerned, is worth noting. Germany, whose model in agricultural co-operative organisation has been so largely followed in India, found it necessary to alter her co-operative law so as to replace the General Body meeting in the case of the bigger societies by a meeting of representatives. It is only in the small society in a petty town with one shop that "primitive democracy is the rule." But "in the case of societies with 1,500 to 3,000 members the General Meeting *may*, and in societies with more than 3,000 members, the General Meeting *must* be substituted by a meeting of Representatives who are elected by the members."[20] Russia (U.S.S.R.) adopted a more elaborate provision for the management of societies, which had grown beyond a directly manageable size. "The

17. C. R. Fay, *Review of International Co-operation*, Sept. 1933, p. 328.
18. S. and B. Webb, *Consumers' Co-operative Movement*, pp. 59-66.
19. For instance, the Royal Arsenal Co-operative Society of Woolwich, with 250,000 members could not succeed in the attempt to revise its constitution owing to the opposition of the General Body.
20. *Review of International Co-operation*, Jan. 1930, p. 8.

consumers' co-operatives with a membership of between 400 and 500 (according to district) are governed by the general membership meeting—while societies with more than 500 members are governed by the meeting of representatives which is held at least four times in the year. For certain constitutional issues, two-thirds majority of representatives is required. Other questions are settled by an ordinary majority."[21]

We find from Digby's *Digest of Co-operative Law* that it is more common to give the option to societies themselves of over a certain size (in most countries from 500 onwards) to substitute a Delegate meeting for the General meeting. This is the case in France, Holland, Austria Hungary, Czecho-Slovakia, Poland and Estonia. It is also common to prescribe a definite proportion of membership as quorum for meetings.[22] Japan has not been behind the times and she has now enacted that "in case of a large society with a membership of over 500, it is permissible to replace the general meeting by a representative members' meeting which has the same privileges as the former except that it cannot pass a resolution concerning the dissolution and annual grant of the society."[23]

Should we in our country alone ignore the pressing need for an alteration of the method of management of the bigger societies and cling to the fetish of the supremacy of the General Body, hindering further progress of such societies ? For those of us who wish to conserve the spirit of the founders but are also anxious to adopt the constitutional machinery best suited to the expanding needs of the Movement, the combination of the novel device of the Divisional Meetings of the General Body and the politically well-tried method of Representative Assembly seems to be the best solution.

AN ABORTIVE ATTEMPT AT REVISION IN THE T.U.C.S.

Such a solution was indeed once pressed on the attention of the General Body of the T.U.C.S., the biggest distributive society in India, but as part of a scheme of decentralisation drafted by a Committee specially elected for the purpose at a previous meeting—the Decentralisation Committee of 1933. The essence of the scheme was, no doubt, decentralisation by which a large measure of administrative and financial autonomy was to be conferred on the Branches. A section of the audience questioned the wisdom of such decentralisation from the point

21. *Review of International Co-operation*, March 1930, p. 100.
22. Vide pp. 132, 178, 4, 108, 219, 116.
23. *Review of International Co-operation*, Feb. 1931, p. 36.

of view of co-operative tradition as well as of business success and pointed out how it ran counter to the trend of co-operative amalgamation elsewhere. Quite an important part of the scheme, however, was the convening of local meetings of every branch separately where any shareholder entitled to vote could get a hearing easily, while the General meeting of the Society at the Head Office could be composed only of the Local Directors of Branches (with more powers than of Panchayatdars at present) and extra-delegates elected by Branches, their number varying with transactions above a prescribed limit. This really representative meeting would not only discuss matters pertaining to the whole society but also elect from among its members the Central Board of Directors who would be responsible to it directly. This would put an end to the anomalies of the existing system of election at Branches of Directors whose responsibility is all to the General Body meeting which is far from representative of Branches. Any body of shareholders meeting as such would cease to be the supreme authority of the big Society. This was not palatable to the members assembled on that particular day and they were told that by such a surrender of powers the General Body would be 'committing suicide.' The whole scheme was voted down after an acrimonious discussion. But there is no knowing when the spirit of self-abnegation will seize the General Body of the T.U.C.S. and enable them to give a lead in this constitutional reform to the rest of the co-operative world in India, even as the pioneer members had done, ahead of any statutory provision, obligatory or optional.

NEED FOR RECONSIDERATION.

It is, in the humble view of the writer, worthwhile exploring the possibilities of the devolution of some substantial powers to local bodies or Panchayats of Branches, without launching on a scheme of decentralisation which might weaken the Society. It is necessary to rouse the co-operative consciousness of the generality of members in each branch by holding local meetings of all members to discuss local affairs on the one hand and express their mandate on broad and simple issues of policy concerning the whole Society referred to them from time to time. It is even more imperative that discussion of the several centralised affairs of purchase, production and distribution should be carried in a more compact council of representatives from each Branch, on the lines suggested by the Decentralisation Committee, but meeting every quarter and not only once in the year. Whatever be the differences in points of view and however fierce the criticism might be in such a Council, one feels that workable compromises could be more easily arrived at than in a large fluctuating and uncertain General Body.

This has indeed been the experience of Panchayat Conferences, informally assembled in the past two years by the Directorate of this large society.

SPECIAL DIFFICULTIES OF URBAN BANKS

· Such a solution of the affairs of a distributive society like the T. U. C. S., it may be said, is not of much avail to big urban banks who have no such branches with separate membership and whose problems are different. Some of the urban banks, especially of employees in Government and Railway services have wide jurisdiction, the members being scattered all over a province or state or even larger area and General Body meetings cannot but be unrepresentative. We feel it is all the more necessary in such cases to have local meetings and a central representative council, for which provision will have to be made for paying travelling allowances. There are large urban banks confined to single towns where, it may be said, it is not easy to divide membership territorially or otherwise.[24] But on closer examination, a workable line of division will be found in most cases. Division is surely not meant to accentuate differences but only to facilitate closer participation in the affairs of society by the members on the one hand and their representatives on the other. In the case of societies of employees, all belonging to one office or firm, it may be that often only a fiction of democracy is kept up due to the domination of superior officers in the Directorate and members' meetings;[25] but there are societies where equality among members belonging to different sections, none being subordinate to the other, is zealously maintained. Such societies will do well to try the device of divisional meetings and a central council.

If general bodies of big societies will not of their own accord alter their bye-laws, it is time to consider the need for a revision of the constitution by legislation, so that the methods of conducting meetings and the administration of the societies may no longer be a travesty of democracy.

24. *Report of the First Conference of Urban Banks in Madras,* **1928.** E. S. Ganapathi Iyer's Address, pp. 10, 11.

25. E. M. Hough, *The Co-operative Movement in India,* p. 104.

APPENDIX.

Attendance at General Body meetings of the T. U. C. S., Ltd.

	Branches.		Average membership in each branch in 1929–35.	No. of members from each Branch who attended the G. B. meetings on:—							
				6–1–'29.	7–4–'29.	1–9–'29.	23–2–'30.	17–9–'33.	19–11–'33.	2–12–'34.	14–7–'35.
				Ex.	L., A.	Ex.	L., A.	Ex.	A.	L., A.	L., A.
1.	Triplicane	..	550	13	52	15	21	5	8	43	33
2.	Car Street	..	365	20	30	17	35	5	7	33	23
3.	Mylapore I	..	340	..	4	..	..	..	7	12	12
4.	Purasawakam	..	335	..	8	..	3	..	1	4	2
5.	George Town II	..	330	1	6	5	1	9	6	19	8
6.	Theogarayanagar	..	330	—	—	—	—	—	3	6	7
7.	Nungambakam	..	325	2	10	5	5	4	5	10	52
8.	Mylapore II	..	290	1	3	4	2	1	5	4	5
9.	Chepauk	..	260	4	23	1	12	1	5	11	12
10.	Egmore	..	250	4	18	2	12	9	14	17	6
11.	George Town I	..	240	4	18	2	3	..	2	4	1
12.	Perambur	..	240	..	3	..	..	8	5	2	1
13.	Muthialpet	..	220	..	..	..	1	1	3	10	4
14.	Saidapet I	..	210	1	7	..	2	3	2	3	1
15.	Tiruvatiswaranpet	..	190	30	15	4	5	1	6	11	Closed
16.	Madhavapuram	..	175	..	1	2	3	4	3	6	5
17.	Royapettah	..	170	1	7	1	2	1	3	3	10
18.	Royapuram	..	165	..	3	..	1	5	4	2	5
19.	Saidapet II	..	160	..	1	..	2	13	6	5	5
20.	Mambalam	..	140	3	15	2	9	..	6	1	..
21.	Villivakam	..	140	..	1	1	2	..	..	3	1
22.	Sowcarpet	..	125	1	8	2	1	Closed			
23.	Komaliswaranpet	..	120	7	10	1	12	3	6	17	16
24.	Vepery	..	120	..	1	..	..	3	3	3	Closed
25.	Kilpauk	..	90	1	8	1	2	..	..	1	1
26.	Gopalpuram	..	90	..	4	3	6	..	3	6	2
27.	Alwarpet	..	70	—	—	—	—	—	—	3	1
	Illegible	..		1	18	8	24		6	6	1
	Total Attendance	..		94	274	76	166	76	119	245	214
	Total members on rolls	..		5410	5570	5900	6040	5800	5780	5650	5600
	Percentage of Attendance to total membership	..		1·7	4·9	1·3	2·7	1·3	2·07	4·3	3·8

Ex.—Extraordinary General Body Meeting.
L.—Lunch provided.
A.—Auditors' Election held.

REVIEWS

HERR RAIFFEISEN AMONG CHINESE FARMERS, 1922-1934—A RESUME OF A GROWING MOVEMENT. (China International Relief Commission, Peiping).

90 per cent of the population of China consists of peasant farmers. Of these, the vast majority live on such a narrow margin that any deviation from normal farming conditions almost instantly brings intense and widespread suffering. In spite of their industry and thrift, these people are unable to accumulate sufficient reserves to tide over bad years, so that a flood or a draught may reduce a whole region to the starvation level and spell the doom of thousands.

As a result of the efforts of the China International Finance Relief Commission, the first co-operative societies in China were established in 1924, but they acquired a recognized legal status in 1930. Eleven years have passed since their foundation. During this period the Co-operative Movement has taken root and grown in a manner which has even surpassed the expectations of those who gave it its initial impulse. To-day it represents one of the most significant factors in the reconstruction of Chinese rural life, and wields an ever-growing influence in many quarters.

In Hopei Province, the cradle of the Co-operative Movement in China, there are nearly a thousand societies with a membership of more than 23,000 and involving a total capital investment of over half a million dollars.

Impatient with the slow progress, a number of banks have begun to form societies themselves, resulting in a too rapid spread of the movement, so much so that experienced observers had seen fit to sound words of warning. "Of late," remarks Mr. Y. S. Djang, Executive Secretary, in his Foreword, "our energies have been directed to check the premature development rather than to introduce a hopeful reform as was done prior to 1928."

The book under review is the third publication of the China International Relief Commission on Co-operation. The first, "Rural Co-operative Credit in China—History, Plans and Prospects," was published in 1926. The second "Herr Raiffeisen Among Chinese Farmers—1926-1930" detailed the progress of Co-operation from 1926 to 1930. The present book deals with the growth of the Co-operative Movement during the past four years in an interesting and instructive manner.

Bashir.

ECONOMIC DEPRESSION IN RURAL KISTNA: By Ch. Sitharama Sastri and C. Sriramanarasimham, Andhra University. (The Madras Provincial Co-operative Union—1935).

This brochure of 60 pages is published by the Madras Provincial Co-operative Union as part of a series designed to disseminate correct knowledge of current rural economic conditions, so as to provide the basis for further co-operative programmes. A number of villages in the Kistna District have been studied on the spot by the writers, one a Lecturer and the other a Research Scholar in the Economics Department of the Andhra University. Ample use has been made of information supplied by leading ryots, local officials, bank agents and co-operative institutions. A thesis written under such auspices should naturally be authoritative and equally welcome in academic and co-operative circles.

The longest and the most elaborate chapter is on the costs of cultivation and the income, gross and net, in the case of the most important crops raised in the district. The consequence of the collapse of prices in the depression is seen in the deterioration of standard of living of the ryots, the growing unemployment among labourers in the field and in the cottage workshop and the inability of almost all borrowers to repay the debts incurred in the palmy days of high prices in the last decade.

It is a pity that our writers have not had enough time to make a special study of agricultural indebtedness; but they have indubitable indirect evidence to show that lands have been passing into the hands of creditors more rapidly in the last three years. It must be said to the credit of several creditors in the countryside that they have been good enough to accept lands at pre-depression prices, though it might be often a virtue of necessity. The writers feel convinced of the need for conciliation and scaling down of debts, even by compulsion if necessary, while in the amount to be fixed the prime consideration should be the repaying capacity of the borrower. The principle is unexceptionable, but the difficulty is to work it out in every case to the satisfaction of either side. We are more pessimistic of the alternative, that where the creditor is unwilling to acquiesce in the decree scaling down the dues, the debtor should become an "expropriletory tenant" for 20 years on "fair rents". We would prefer a clean slate.

The writers have unfortunately little to say on short-term credit either, beyond laying down a proposition which would be resisted by the public and not be welcomed by co-operators either. It is that "no court shall allow legal proceedings against debtors unless it be through the co-operative society." Moneylenders, it is urged, would thus be compelled to entrust funds to co-operative societies. "Nothing will

advance the progress of the Co-operative Movement as this piece of legislation." Orthodox co-operators, at any rate, are opposed to any such forced culture.

A "separate Co-operative Movement" is advocated for the benefit of petty holders of land, of less than one acre each, for the supply of agricultural requirements and the encouragement of intensive forms of culture. Surely small holders should receive special attention, but they do not need an exclusive society for themselves. Such segregation may do them harm.

Co-operative marketing of tobacco, of which there is a large quantity produced and sent out from a concentrated area by a few merchants who exploit the growers, is according to the writers a crying need of the day. It is up to the leaders in the district to organise a sale society. It appears to us that a similar organisation is also worth an earnest trial in the case of the few other profitable crops—oranges, chillies and turmeric—unless insuperable difficulties exist.

These are the main items of immediate interest to co-operators, but there are a number of other topics of absorbing interest to rural leaders and students of economics in this fine little publication.

Co-operator.

CO-OPERATIVE SOCIETIES AT WORK IN INDIA

BOMBAY

Extracts from the report of the Registrar, Mr. K. L. Panjabi, I.C.S. for the year ending 31st March, 1934.

Agricultural Credit Societies. The membership, working capital and members' deposits show a decrease owing to the decrease in the number of societies due to cancellation. However, the increase in the owned capital, reserve fund and the share capital are welcome features, indicating the continued progress of these societies. Registration of new societies is granted very sparingly after elaborate enquiry and only when the circumstances indicate that the agriculturists will be able to manage the society efficiently. There is an increased demand for new societies, because the agriculturists have exhausted their personal resources during the last few years and are unable to obtain finance from rural moneylenders, who are in some cases unwilling to do so owing to panic and in some cases, unable to meet their requirements owing to absence of liquid resources. Decrease in membership of agricultural credit societies is due to the weeding out of bad members, and there is a growing appreciation of the fact that indiscriminate membership is likely to lead the society into considerable trouble, and must be avoided at all costs. Against several societies an actual charge is being laid that their membership is too exclusive and restricted. This is inevitable, as joint and several liability to an unlimited extent must necessitate selective membership.

A strict policy of rectification and consolidation of the societies is being pursued by the Department and the institution of Supervising Unions in this respect has been of very great value. A good Supervising Union is an invaluable asset for the development of agricultural co-operation. The proposals of the Supervision Committee appointed by Government are now under the consideration of Government and it is hoped that with the reorganisation of the supervising unions, co-operation will be stimulated and there will be considerable check on its misuse in the rural areas. The overdues in societies are being examined and in case of those of long standing, pressure is being put upon the member to repay according to the best of his capacity and in cases of contumacy, the defaulters are being referred to arbitration and coercive process is being taken for recovery of dues. Where, however, a defaulter shows willingness to meet his liability to the best of his ability, coercive processes are postponed if he makes *bona fide* attempt to liquidate part of his liability and either gives assurance that he will not alienate his land in order to evade the liability of the society or mortgage his land as security.

Both by the removal of undesirable persons and by splitting up of unwieldy societies into two or more, the limit of membership of societies is being reduced. The ideal is that there should not be more than 50 members in a society, if mutual knowledge and trust are to play an effective part in the working of societies. In the initial stages more than one society was not encouraged in the same village owing to the difficulty of finding trained workers. But now that there is an increased understanding of co-operative principles and practices, smaller societies are certainly more desirable and this end is being secured by splitting up societies with a large membership. Efforts are also being made to counteract the tendency to stagnate among several societies, which was the result, among other factors, of the great fall in prices of agricultural produce in 1930. The lowered repaying capacity

as a result of this fall in prices discouraged the banks from making fresh advances, and as the members of societies were uncertain whether they would be able to obtain fresh finance, the recoveries by the societies were to a great extent slowed down. In certain tracts this led to a feeling of distrust between the society and the bank. This feeling had to be counteracted and in all parts of the Presidency steps have been now taken to secure an assurance of fresh finance from the bank to the societies based more or less on the extent of recoveries made by the societies. The aim kept by the Central Bank in view in making fresh advances to the society, is to reduce each member's liability by easy instalments in consonance with the present prices of agricultural produce. Normally, the fresh finance to a member is about 10 to 15 per cent less than his repayment on account of principal, and it is hoped by this process that within a period of 5 to 7 years the total liabilities of all the members incurred at the time of boom prices would be brought down to the level of the present prices of agricultural produce.

A concentrated effort for reviving agricultural credit societies has also been made by a special scheme framed for this purpose. The basis of it is that the societies are allowed to reduce the rate of interest charged to the members to the extent that no balance is even left for being carried to the reserve fund. This scheme has been necessitated by the fact that owing to economic depression, the agriculturist has had to adjust his standard of living to a great deal. Under this scheme, which was recommended for adoption to all the agricultural societies in Deccan and the Karnatic as an experiment, the society could reduce its rate of interest, provided no loss was incurred on the year's working. Another condition was that all the interest outstanding should be recovered from every member. A certain minimum percentage of recovery on account of principal was also set down. It varied according to the state of crops in the different areas. In Dharwar and Belgaum districts about 67 per cent. of the societies have charged a reduced rate of interest, while in the Deccan the average has been about 30 to 40 per cent. The results of the scheme have been very gratifying; the actual reduction in the rate of interest has varied from 2 to 6 per cent. In certain cases societies which were charging 9⅜ per cent. were able to charge only 3 to 4 per cent. owing to the large reserve fund which they had already accumulated. The scheme has led to a great change in the tone of the societies; members have appreciated in a complete manner the necessity of building up large reserves; and mutual pressure to discharge the liabilities of the society, which was on the wane, has been greatly revived. At the request of the societies, the scheme has been continued for another year. The greatest benefit has been that several stagnant societies have been revived, as remission in the rate of interest which has been given without involving the society in any loss on the year's working, has caught the imagination of the members and has definitely rehabilitated in part the popularity of the Co-operative Movement in the rural areas. Resort to recovery through Special Recovery Officers has been made only in case of wilful default or in case of hopeless insolvency as an impression has been afloat that members could default with impunity, in respect of liabilities of the society.

The figure of unauthorised arrears has been brought down by about Rs. 19 lakhs but the percentage remains the same, as the amount due for repayment has also decreased. The figure of arrears for the whole province is stationary, while in the case of precarious and backward tracts, the overdues show an increase. The recoveries exceeded the fresh finance during the last two years and the total liabilities of the member are being gradually reduced so as to suit his repaying capacity.

Land Mortgage Banks and Long-term Finance. During the year fresh advances by the three existing banks were made to the extent of Rs. 71,000. Government have appointed a Committee to consider the question of extension of land mortgage banking system in this Presidency, and the Report is now under the consideration of Government. It is estimated that land mortgage banking in this Presidency will gain considerable impetus if the recommendations of the Committee are accepted.

Agricultural Non-Credit Societies. The availability of efficient staff and honourary workers continues to be the principal handicap in the development of agricultural non-credit societies in rural areas. Experience has shown that in the absence of continuous honest and businesslike management, it is not possible to make real headway. The Department with its existing staff is also unable to devote sufficient attention to the development of non-credit societies, but there is ample scope in this respect and initiative and propaganda from co-operative societies directed in proper channels should go a long way in assisting the organisation of more societies or at any rate, development of existing ones.

Sale Societies. The most important of the agricultural non-credit societies continue to be those for the sale of the produce of agriculturists. There were in all 69 sale societies during the year as against 62 at the close of the previous year. The produce sold by these sale societies are: cotton, gul, tobacco, chilly, paddy, potato and miscellaneous produce.

Cotton. The cotton sale societies continue to be the outstanding feature of this type of co-operative activity. The following table indicates the volume of business done by them during the year :—

Division.	No. of Societies.	Quantity sold. (Maunds).	Prices Realised. Rs.
Central	..	..	..
Bombay	..	..	..
Khandesh	1	12,450	63,867
Northern	20	2,74,318	21,66,978
Southern	7	1,20,252	7,71,314
Total for 1933-34.	28	4,07,020	30,02,159
Total for 1932-33.	26	3,24,716	26,57,455

Notwithstanding the vagaries of nature and the mill strike at Bombay, the Hubli and Gadag Sale Societies had another year of successful working and sold cotton to the extent of 18,000 and 25,000 docras, respectively. These sale societies constitute a record for the last five years. The Gadag Sale Society had a reserved area of 21,500 acres and all the cotton grown in the area was sold through the society, which testifies to its increased popularity amongst the cotton growers. The Society has now a sound standing and commands one-fourth of the arrivals in the Gadag market from Gadag, Navalgund and Ron talukas. The Hubli Sale Society was able to make arrangements for the sale of its cotton bales with the Century

Mills and the Bombay Dyeing and Manufacturing Company. This is a happy augury for the future, as it serves to promulgate the utility of co-operative marketing by bringing the producers in direct contact with consumers.

In Gujerat, the cotton sale societies are becoming increasingly popular and during the year under report more societies were registered. The frost in the last week of January had, however, an adverse effect on the cotton crop both in quantity and quality. Fortunately for the societies, the prospects of a happy termination of the Indo-Japanese and Indo-Lancashire trade agreements revived the demand for cotton from Bombay and Ahmedabad, and the sale societies could take advantage of the favourable conditions of the market and secure satisfactory prices. The Farmers' Co-operative Pressing Factory at Surat, which came into existence during the year under report, has proved a great boon to the agriculturists as it has freed them from dominating influence of the capitalist owners of ginning factories. The Cotton Pressing Factory bids fair to be a success as during a short period of three months, it could press 8,540 bales and earn a profit of Rs. 13,000.

The Belgaum Vegetable Growers' Society which came into existence during the year under report has made a good beginning. In this society both credit and sale are combined with necessary safeguards and the society has advanced over Rs. 7,000 for cultivation. This is altogether a new experiment which requires cautious handling and businesslike management. The Chillies and Vegetable Society in the Thana District is making steady progress. It sold chillies worth Rs. 18,000 and earned a commission of Rs. 755. The Ratnagiri Mango Sale Society, owing to the unscrupulous tactics of the middlemen, had to be wound up during the year. The other two societies at Vengurla are making satisfactory progress.

Purchase and Sale Unions The number of Unions remained unchanged during the year. In spite of the development of the credit movement in the Walwa Taluka in the Satara District, there is a decline in the quantity and value of sales made by the Warna Valley Sale Union to the extent of 20 per cent. The Union has, however, managed to increase the total commission earned by it slightly, and by reducing expenditure has also managed to clear a profit of Rs. 199 as against Rs. 55 of the previous year. The West Khandesh District Purchase and Sale Union which has three branches at Dhulia, Shirpur and Dondaicha, has not been able to do substantial work owing mainly to the lack of loyalty of the rural societies to the Union and the year's working has actually resulted in a loss of about Rs. 2,000. In the Nasik District, the Malegaon Vibhag Purchase and Sale Union which is a federation of societies in the Malegaon, Nandagaon and Baglan taluks, sold 24,125 maunds of agricultural produce and earned a commission of Rs. 1,400. On account of uncertainty of prices and difficulty of management, its business of advances on agricultural produce was considerably curtailed during the year. These Unions broadcast the benefit of co-operative sale and have a salutary effect on the dealings of the local merchants.

Machinery and Implement Societies: There was an increase in the number of these societies from 26 to 29. One of these was organised at the close of the year by the sugarcane growers of Mundhwa, who are growing varieties of sugarcane and have purchased a power-crusher with a view to make cane cultivation more profitable. The society has been financed in the initial stages by Government and the Poona Central Bank. If the experiment succeeds, it may spur them on later to manufacture sugar by the open-pan process. The machinery and implement societies at Nibut and Nanded have also got power-crushers and are doing good work.

There were 16 Cattle Breeding Societies at the end of the year under report. The Sidenur and Chalgeri Cattle Breeding Societies in the Dharwar District and Ainapur and Sadalga Cattle Breeding Societies in the Belgaum District are the best societies of this type.

The Bombay Provincial Co-operative Bank. The working capital shows a slight decrease as the Bank discouraged deposits owing to the difficulty of utilising its surplus balances profitably The profits of the Bank have increased owing to reduction in the rates of interest paid on deposits. The advantage of the lower rates of interest paid on deposits has been passed on to the societies in the shape of general reduction in the rate of interest and also rebate to those societies which, under the conditions prescribed by the Department, were able to reduce the rate of interest to their members. The reserve for doubtful debts has been increased so as to provide for all the outstandings considered to be doubtful at present. The dividend declared this year was only 4 per cent. The total outstandings due from societies in liquidation amounted to Rs. 15 lakhs, out of which only Rs. 45,000 were recovered during the year. The Bank's investments in Government securities are Rs. 78 lakhs, while Rs. 34 lakhs were deposited with approved banks. About Rs. 22 lakhs were recovered by the Bank as against the short-term outstandings of Rs. 62 lakhs, and fresh advances were made to the extent of Rs. 15 lakhs during the year. The recoveries exceeded the previous year's figures by about Rs. 3 lakhs which is quite satisfactory, considering the fact that the season was on the whole not favourable in the area financed by the Bank. The measures introduced for reviving the confidence of the societies have been mainly responsible for better recoveries. The situation seems to have improved everywhere except in parts of Khandesh and the canal tracts. The Bank issued this year debentures to the extent of Rs. 2,38,000 in order to finance the land mortgage banks, as the rate of interest charged by the Government on the loan of Rs. 3 lakhs proved to be prohibitive. The Bank continues to be well managed and is fully responsive to the needs of the agriculturists; but the commitments in the canal area are a serious handicap to the Bank. A very large sum is also locked up with liquidated societies, and it is difficult to expedite these proceedings in view of the present land values.

District Central Banks. There is a satisfactory increase as regards reserve fund, while the working capital has practically kept stationary, as the deposits are discouraged owing to difficulty of profitable utilisation. The cost of management has risen by about Rs. 20,000 chiefly on the employment of better field staff. As against the outstandings of Rs. 2,52,79,394 from agricultural societies, this year 96 lakhs of rupees have been recovered, while last year only Rs. 54 lakhs were recovered against the outstanding of Rs. 2,13,00,538. The recoveries are very satisfactory and are evidence of the fact that the agriculturists are beginning to adjust themselves to the changed conditions and that the cordial relations between the societies and the central banks are being revived.

All the Central Banks, with the exception of the Kaira Central Bank, have surplus funds and did not borrow from the Bombay Provincial Bank. Fresh finance is being given with more confidence as the conditions due to the fall in prices of agricultural produce are being stabilised. The lending rate to societies ranged between 5 to 8 per cent., while the usual rate charged to agricultural credit societies ranged between 6 to 7½ per cent. The reduction in the rate of interest paid on deposits has not in all cases resulted in a lower rate charged to societies. Some Central Banks have kept an unnecessarily high rate of interest for loans to agricultural societies, but this is being brought to their notice and it is hoped that the lending rate to agricultural societies will be reduced considerably, if the present

rates of interest payable on deposits continue. The policy of opening branches at taluka centres in order to keep in closer touch with the societies and to tap local resources has been continued and several new branches have been opened, even at some sacrifice of profit. More attention is being paid by the banks on employment of trained and qualified staff, but a great deal still remains to be done. The relations between the Central Banks and the agricultural societies are fairly cordial, although in some cases the Central Banks have a biased urban outlook. It is unfortunate that in some Central Banks party politics hold sway, and this sometimes affects the confidence which the banks would otherwise command among the societies.

Urban Credit Societies.—The co-operative credit movement in the urban areas has taken deep root and there is great scope for their future development. However, in the initial years such institutions require considerable supervision and guidance. The Gujerat Banks have secured this by registering a Supervising Union for Urban Banks and Societies, but in the other parts of the Presidency no such provision exists, and it is very difficult for the Department, with its limited resources as regards staff, to give the necessary assistance and guidance to these Banks.

The Salary Earners' Societies continue to increase in popularity, as the recoveries are automatic and are on the whole well managed. The communal banks are generally also well managed, although in some cases there is a tendency to be too lenient as regards the recovery.

There is a growing tendency in these institutions to give larger loans repayable over a longer period, though the repaying capacity of the members has been considerably curtailed owing to the present depression. Another serious danger in these institutions is the possibility of multiple membership and borrowing. Some cases have recently come to light in which members have borrowed from 2 or 3 co-operative banks or have borrowed from one bank in order to pay to another bank. As the membership in certain banks is based on qualification of residence, while in others it is based on qualification of trade or profession, the possibility of a person being a member simultaneously of 2 or 3 co-operative banks is not eliminated, and as pointed out above, in some cases it has led to very undesirable results. This has been pointed out to all the banks and efforts are being made to secure either exclusive membership or mutual consultation between the banks before a loan to a particular individual is advanced.

The Bombay Co-operative Insurance Society has during the year issued 829 policies assuring a sum of Rs. 6,09,650. Claims paid by the Society during the year amounted to Rs. 4,530. The insurance effected through co-operative societies has proved very popular and several salary earners' societies have given facilities to the members for insuring with the above Society and thus securing insurance at a cheaper rate than that offered by any other company. The Insurance Society has to-day secured a foothold in the insurance world and its future development seems to be secure. However, insurance among the rural population has not yet been popularised to the extent that was expected, and the Society is now concentrating in that direction. Professor Kaji, as Chairman of the Society, deserves congratulation for having so far stabilised the position.

Co-operative Stores.—The Stores have had another difficult year, as owing to reduction in purchasing power the loyalty of the members is severely strained. There have also been fluctuations in the value of goods sold by these Stores, mostly a downward tendency. In spite of these difficulties, the Stores are keeping their head above water. They seem to succeed particularly well in Bombay and in

Gujerat, owing possibly to businesslike workers. Particular mention must be made of the Stores conducted by Gujerati Women's Co-operative Store in Bombay, which continues to have astonishing success under most difficult conditions.

Housing Societies.—The Housing Societies in the Bombay Division had another difficult year owing to vacant tenements and the necessity of reducing the rent payable in consonance with the general reduction in scales of rent in Bombay City. Most of them have been asking for reduction in the rate of interest on loan from Government, particularly as the Central Government has been able to secure a reduction in the rate of interest paid on its borrowings by recent conversion operations. However, it appears that this is not possible unless the Provincial Government is able to secure a proportionate reduction in the rate of interest payable to the Government of India. The Housing Societies at Karachi and Ahmedabad have so far proved an unqualified success and a great boon to middle-class man. It is a matter of regret that on account of financial stringency Government had to discontinue grant of fresh loans to Housing Societies. A movement which was gaining in popularity requires financing badly. Some of the insurance companies anxious to secure an investment for their surplus funds are now advancing loans to housing societies but the terms are not so favourable as could be given by Government. I trust that when financial conditions of the Provincial Government improve, loans to housing societies would be revived, particularly in order to assist the lower middle-class man to get suitable housing accommodation.

Weavers' Societies.—3 societies have been cancelled during the year and 6 societies have been suffering very badly owing to the reduction in the purchasing power of the agriculturist. Particularly the weavers in Bhivandi, working under the shadow of the Bombay Mills, seem to have been hard hit. In Karnatak the 13 societies have made a profit of over Rs. 1,400. The weavers have not only to contend with lower purchasing power of the agriculturists, but also the increasing competition of the textile mills which in most centres produce identical goods at cheaper prices. It is hoped that the new scheme for subsidising weaving industry at selected centres with the help of a grant from the Government of India will be able to revive some of these societies and put them on a better business footing.

The Bombay Provincial Co-operative Institute. The Provincial Co-operative Institute had another difficult year to contend with. 5,224 societies and 1,029 individuals constituted the membership of the Institute. Its financial position continued to be precarious, though it is gradually adjusting itself to the circumstances. It received Rs. 39,284 as subscription from its members and a grant of Rs. 25,000 from Government. The question of revising the constitution of the Institute has been kept pending the decision of Government as regards the machinery for supervision and also as regards the annual grant payable to the Institute. The Provincial Bank reduced its rate of interest on the loan outstanding against the Institute from 6 per cent. to 4 per cent.

The work done by the Institute has varied greatly according to the enthusiasm shown by Branch Committees. Attention is now being more or less concentrated on helping the societies to overhaul their working, on providing better training for the employees and managing committee members of societies, and particularly by encouraging and organising rural reconstruction activities. The Karnatak Divisional Institute has been doing particularly good work in respect of rural reconstruction activities. The branches of the Institute in Gujerat have been rendering useful assistance in organisation of non-credit societies and cattle insurance societies. Rural reconstruction work was continued and particularly the Kallabbe centre is

doing extraordinarily good work. Lectures were organized on various topics of interest to agriculturists and co-operators at various centres. 23 conferences were held during the year throughout the Presidency under the auspices of the Institute. 444 candidates were trained in the Secretaries Training Classes held during the year and 99 classes were held for training of managing committee members. Of the three co-operative schools the one at Dharwar did not function and other at Surat ran for one term only for want of students. The Poona school also was conducted for one term only. 21 students were trained in these classes.

Criminal Offences.—Criminal offences by office-bearers are on the increase and show the necessity of continuous watchfulness on the part of the members of the managing committees and the supervisors and the inspectors. Many of these offences have occurred in respect of deposits of non-members not being accounted for in the books of the societies. Effective safeguards to prevent the repetition of these offences are being devised, but the most efficient safeguard can only be the active interest taken by the members in the working of these societies.

Conclusion. The Reorganisation Committee, in their report, had condemned several aspects of the Movement and recommended measures of far-reaching importance. However, on a close examination, it appeared that the recommendations of the Committee were based on insufficient data, as close examination of the Movement was not undertaken by the Committee owing to want of time. Government accordingly convened a Co-operative Round Table Conference on the 2nd and 3rd of June, 1933, to consider all these recommendations. This was greatly appreciated by the non-official workers in the Movement and it served to remove clouds of misunderstanding between the Government and the non-official workers in the Movement. Such conferences have great utility and it is hoped that they would be resorted to more frequently in the future.

There is considerable evidence to show that the bulk of the societies in the Movement have turned round the corner this year. This has been possible only owing to joint action by the Department and the non-officials in the Movement by the adoption of a firm and sympathetic policy. Side by side with the coercion of defaulters through the agency of the Special Recovery Officers, a policy of conciliation has been followed throughout. Instalments of outstandings adjusted on the basis of the changes in the repaying capacity of the borrowers have been fixed, the rate of interest payable on loans has been reduced all round, and fresh finance has been generally provided by the central banks. As a result there is a very noticeable change in the tone of a large number of societies, which show increasing activity in their work now. The agriculturists have also more or less settled down to the fall in prices and have readjusted their living accordingly. The Co-operative Movement has been assisting the members of societies in this process of readjustment by granting fresh loans for minimum requirements and by fixing longer instalments for loans taken for purpose of bullocks or costly implements or purchase of artificial manure, and by giving very liberal concessions in deserving cases, in the rate of interest payable by societies. At the same time, these concessions have not violated the principles of sound business and no society has been allowed to reduce its rate of interest if thereby it incurred a loss during the year. Except in certain special tracts the Movement has shown great vitality during the year, and it is hoped that if this continues it will rehabilitate its position entirely within a few years. If more staff had been available, still better results could have been achieved.

The need for strengthening the Co-operative Movement is all the greater, because owing to economic depression the credit of the agriculturists has been

greatly curtailed, with the result that finance by rural money-lenders is not available except on very onerous terms. Usually loans to agriculturists on personal security are not available except on very onerous terms. This contraction of credit is likely, at no distant date, to adversely affect the area under cultivation and the nature of the crops grown unless prices of agricultural produce show substantial improvement. In addition to the low prices of agricultural produce, the inability of the agriculturists to meet their past liabilities has scared many money-lenders. The schemes for compulsory conciliation of debts introduced in some Provinces have further affected the credit of the agriculturists, who are desperately in need of it, as during the last few years they have already utilised their resources in the shape of gold, ornaments and surplus cattle, in order to meet their absolute requirements.

The Co-operative Movement has shown great vitality during this critical period and I cannot help feeling that by strengthening the Co-operative Movement, and by extending its benefits, substantial assistance could be given to agriculturists. The provision of long-term credit through the agency of co-operative land mortgage banks is already under consideration of Government, but development of the movement by organisation of co-operative sale and purchase and other kindred activities is not possible with the present limited staff.

GWALIOR STATE

Extracts from the Report of the Director of Co-operative Societies, Mr. Ranglal, for the year ending 30th June, 1935.

There are now 18 banks and 4,283 societies. Provision for the statutory annual audit of these institutions and for their supervision and control with the present staff has now become impossible. It has always been a part of our policy to associate the outdoor staff employed by the banks with the Government staff in the supervision of societies; and during the year 78 members of the banks' staff worked as supervisors. But the combined strength of these two establishments is not sufficient to cope with the increasing complexity of co-operative business. Moreover the banks' staff have not the training nor do they carry the weight with the public necessary to perform effectively the full duties of Government inspectors. A criticism often levelled at the Co-operative Movement in this State is that it is nothing more than a mere money-lending business. This criticism is not wholly unjustified. It indicates a grave defect in the system which must be remedied, but which, I am afraid, cannot wholly be obviated unless more officers are available to teach the people what co-operation really means. The urgent thing to do is to provide for careful teaching and supervision of societies, to concentrate effort on the multiplication not of societies but of non-official co-operators and finally to mobilise the wealth of the country for the benefit of the agricultural classes. These are tasks involving enormous additional expenditure. But, in view of the financial stress on Government, there is no immediate prospect of the latter being able to devote as much funds to the Movement as will be required if any policy of internal reform is to be vigorously followed. It seems, therefore, obvious that in the matter of the fulfilment of the true co-operative ideal a snail's pace has been decreed by the existing circumstances

Cost of the Movement.—In the year under review Government expenditure on the Movement amounted to Rs. 1,25,417-13-5 in the preceding year. The cost to the banks was 83,903 against Rs. 82,499 in the preceding year.

Departmental Orders.—In all 17 Departmental Orders were issued during the year. Among those the more important were:

C. L. 1. It was noticed that the average loan per society was very low in some banks. Attention of the Boards of Directors was drawn to this fact and they were asked to study the figures for their banks carefully and to try to expand their business. They were also warned that undue reticence in granting loans to deserving societies can do nothing but injury to the whole Movement.

C. L. 4. The banks were directed to encourage the purchase of good and serviceable bullocks by spreading the instalments of loans for bullocks over 3 years instead of 2.

C. L. 6. To prevent the abuse of loans granted at special rates of interest for the purchase of machinery the banks were instructed to require the applicant to produce within 2 months of the grant of the loan the invoice of the firm from which the machinery in question has been purchased. Failing that the loan should be recalled at once and interest at ordinary rate realised for the period the amount has been on loan with the borrower.

Operations of Banks.—The number of Banks was 18 of which 11 were District Banks and 7 Pergana Banks. The following figures give a general idea of the year's working:

Names of Heads.	30th June. 1934.			30th June. 1935.		
	Northern.	Malwa.	Total.	Northern.	Malwa.	Total.
1. No. of Members:						
Individuals	281	2,528	2,809	282	2,474	2,756
Societies	1,795	2,082	3,877	1,858	2,099	3,957
2. Share Capital	2,97,056	4,40,310	7,37,366	3,00,606	4,53,650	7,54,256
3. Deposits	18,21,937	31,30,225	49,52,162	19,25,070	31,59,375	50,84,445
4. Working Capital	24,98,958	42,46,399	67,45,297	26,30,099	42,90,715	69,20,814
5. Reserve Fund	1,27,126	2,63,660	3,90,786	1,28,445	2,74,035	4,02,480
6. Profits	5,004	46,006	51,010	7,545	58,530	66,075
7. Loans:—						
Overdue	9,33,610	22,42,288	31,75,898	10,10,647	21,74,325	31,84,972
Outstanding	4,76,285	4,19,000	8,95,295	4,90,474	4,65,943	9,56,417
Total Loans	14,09,895	26,61,288	40,71,183	15,01,121	26,40,268	41,41,389

It will be seen that the banks in the Northern Circle have had to face a difficult year. The effect of the widespread failure of the Kharif crop as well as those of depression are reflected throughout the figures of this circle.

Share Capital.—In Gwalior, the Banks' Act, by reserving the preference share for individuals, by fixing the maximum holding of shares by individuals at 101 shares, by providing for plural voting, and finally by omitting to provide for separate representation of societies on the bank's management has vested, in perpetuity, the control of the banks in the hands of the preference shareholders. This system, howsoever necessary in the early stages of co-operation, must now be con-

siderably modified and developed on more truly co-operative lines. My suggestions are as follows:

(1) The Banks' Act and the bye-laws under that Act be so amended as to abolish the system of multiple voting and to make it possible for societies to take up, out of their reserves, the preference shares in the banks which, though authorised, have not yet been issued. The immediate result of this would be to give the societies through their representatives an effective voice in the management of the banks.

(2) Steps should be taken to take the preference shareholders into the affiliated societies so that they may in course of time acquire a perfect community of interest with the societies' members, and work for the good of the Movement as a whole.

Deposits.—The total amount of Government deposits with the banks was Rs. 25,12,590 as against Rs. 24,37,533 in the previous year. Deposits from all sources have increased from Rs. 49.52,162 in the year 1934 to Rs. 50,84,445 in 1935.

Profits.—The profits earned by all the banks in the year rose from Rs. 51,010 to Rs. 66,075. The banks at Narwar, Tawarghar and Esagarh worked at a loss; while the banks at Bhind, Amjhera, Agar, Jawad and Gangapur worked at diminished profits. Of the banks in the last category those at Shajapur, Shujalpur and Bhilsa show comparatively poor recoveries on account of principal. These banks have enormous arrears to realise from their constituent societies and they would be wise if in future they allocated a substantial proportion of the recoveries made from bad societies against principal rather than interest. It is no use making any impressive showing of profits when many of the debts are bad and doubtful. The opposite is the case of the Tawarghar Bank which has by allocating to principal 50 per cent. of the repayments made by societies on account of interest, voluntarily reduced its earning. The loss incurred by this Bank is therefore to be regarded more as a sacrifice on the part of the Bank than a deficit.

Loans.—The total amount of fresh loans advanced to societies was Rs. 8,30,347 against Rs. 8,09,600 in the preceding year. The extent of the curtailment of the banks' business during the past 10 years will be seen from the following figures:

Year	Loans Advanced.	Average Loan per member.
1926	.. 21,98,800	.. 49.5
1927	.. 21,14,500	.. 41.3
1928	.. 16,22,050	.. 30.2
1929	.. 15,09,500	.. 25.6
1930	.. 15,77,100	.. 22.3
1931	.. 7,77,100	.. 10.9
1932	.. 3,90,500	.. 5.6
1933	.. 6,28,600	.. 9.0
1934	.. 8,09,600	.. 11.3
1935	.. 8,30,300	.. 11.0

It will be seen from the statement above that a sum of no less than Rs. 90 lakhs was advanced during the years 1926 to 1930. The incidence of this heavy debt has nearly been doubled by the subsequent fall in prices and it is unnecessary to look

further for an explanation of growth of overdues and the consequent contraction of credit. There has been since 1932 a marked improvement in the matter of granting fresh loans to societies, but I have come across cases in which loans have been refused to honest members of societies, who have not defaulted in repayment or whose default is directly due to circumstances beyond their control and whose capacity for repayment under normal conditions has not definitely deteriorated. Loans to such members cannot reasonably be refused if their requirements are genuine. I take this opportunity of pointing out to the Banks that it is after bad seasons that the cultivator's need for financial assistance is greatest; and that it is absurd to refuse loans for seed and bullocks for no better reason than that crops have failed.

Repayment by Societies.—Repayments by societies on account of principal amounted to Rs. 7,60,141 or Rs. 1½ lakhs more than in the previous year; representing 18.6 per cent. as against 14.7 per cent. in 1933-34 of the total amount outstanding at the beginning of the year. Repayments of interest on loans to societies amounted to Rs. 3,18,786 as against Rs. 2,98,571 in the previous year.

Arrears.—The total amount outstanding against societies at the end of the year was Rs. 41,41,389 of which Rs. 31,84,972 were reported as overdue arrears. The corresponding figures for the previous year were Rs. 40,71,183 and Rs. 31,75,898. The percentage of overdue arrears to total outstanding fell from 78 to 76.9.

Operations of Societies.—The Movement continued to be predominantly one of credit in character. The following statement shows at a glance the progress made during the year:

Class.	Number of Societies.		Number of Members.		Working Capital.	
	1934.	1935.	1934.	1935.	1934.	1935.
Agricultural ..	4,126	4,241	72,291	74,544	70,80,321	74,04,902
Non-Agricultural ..	41	42	664	665	1,18,267	1,27,262
Total ..	4,167	4,283	72,955	75,209	71,98,588	75,31,164

Agricultural Credit Societies.—The chief feature to notice about these is their owned capital, which rose from Rs. 28.07 to Rs. 30.77 lakhs. The owned capital was 43.9 per cent. of the working capital as against 40 per cent. in the previous year. But it must be pointed out that "all that glitters in the societies' balance-sheets is not gold." More than 50 per cent. of their owned capital is at sea in the business and much of it will be swallowed up by bad and doubtful debts.

Deposits have increased:

	1934.	1935.
Members	2,18,281	2,32,060
Non-Members	489	489

Loans.—The total sum advanced to members rose from Rs. 8,09,609 in 1934 to Rs. 8,30,346 in 1935. The table below shows the purpose for which these loans were advanced:

Purpose of Loan.	Northern Circle.	Malwa Circle.	Total.	Percentage.
	Rs.	Rs.	Rs.	
Seed and Manure	55,952	33,930	89,882	10·7
Cattle	2,45,465	1,23,199	3,69,664	43·9
Implements	7,593	420	8,013	1·0
Land Revenue	6,770	97,087	1,03,857	12·3
Improvement of land	24,890	16,620	41,510	5·0
Liquidation of old debts	11,993	37,965	49,958	6·0
Household purposes	50,099	26,430	76,529	9·1
Industrial purposes	6,225	53,793	60,018	7·1
Miscellaneous	18,980	21,854	40,834	4·9
Total	4,27,967	4,12,298	8,40,265	100·0

The point to notice is that loans for the purchase of cattle have again risen from Rs. 3,39,237 in 1933-34 to Rs. 3,69,664 in 1934-35.

Repayments.—Repayments by members to their Societies were:

	1934.	1935.
Principal ..	6,62,882	6,98,288
Interest ..	1,52,372	1,68,511
Total ..	8,15,254	8,66,699

Overdues of principal which had declined in the previous year have again risen from Rs. 38½ lakhs in 1914 to 39 lakhs in 1935. This is entirely due to poor repayments in the Northern Circle. The following statement exhibits the exact position as regards overdues since 1928:

Year.	Total outstanding per member.	Overdue per member.	Current Loan per Member.
	Rs.	Rs.	Rs.
1928	72·7	33·1	30·2
1929	70·1	35·3	25·6
1930	70·0	38·6	22·3
1931	70·5	50·7	10·9
1932	67.5	56·6	5·6
1933	66.1	55·2	9·0
1934	66.6	53·0	11·3
1935	66.5	52·6	11·0

It will be seen that the average debt and the average overdues per member have been steadily declining since 1932.

Non-Agricultural Societies.—The number of non-agricultural societies was almost the same as in the previous year. Most of these institutions are in urban

areas and their supervision and control requires a different type of supervising agency. There is, in Gwalior, a definite cleavage between town and village and, therefore, a separate staff will be required if the Movement is to spread in the towns.

Other forms of Co-operation.—It is to be regretted that it has not been so far possible to extend our activities to other forms of co-operation. The chief difficulty in this matter has been lack of requisite funds and staff. There is unquestionably much scope in Gwalior for sale, purchase and seed societies and the Department is alive to the necessity of establishing them.

Before closing this review on the working of societies I must say that there are at present in every district too many bad and weak societies clogging the further progress of the Movement. These societies have in some places been going down hill for years, carrying with them the good societies also down the slope. This state of affairs deserves the most serious consideration of the workers in every locality. Proposals have already been submitted to Government in regard to the winding up of hopeless societies and the rectification of those that are not past help. The carrying out of these measures would involve huge sacrifices on the part of banks and societies and it is to be hoped that these bodies would heartily co-operate with the Government staff in making the scheme a complete success.

Concluding Remarks.—The attitude of the general public towards the Movement remained unchanged. But the one fact that must not be forgotten is that the Movement has a larger number of enemies within its own ken than outside. This is best reflected by the large number of frivolous complaints that are received by me, the Finance Member and the Council. Most of the petitions are anonymous and emanate either from the ex-employees of the Banks or from other interested persons. Needless to say that most of these complaints are generally intended to harass those who have either demolished some vested interest or dismissed or reduced an incorrigible subordinate.

I am happy to be able to record that the non-official directors of the Banks have now a much better grasp of co-operative business than they had a few years ago. And what is more important is that the point of view generally taken by them is no longer that of the districts to which they belong but of the State as a whole. The Subas and Tehsildars have rendered much sympathetic and valuable assistance and I must once again express my deep sense of obligation to all officials and non-official co-operators.

THE SIXTH CONFERENCE OF LAND MORTGAGE BANKS IN MADRAS.

23rd November, 1935.

Extracts from the opening speech of the Hon'ble the Rajah of Bobbili, K.C.I.E., Chief Minister to the Government of Madras

Of all Provinces in India, the Punjab claims to have the honour of having started the first Land Mortgage Bank in the year 1920, but this was not followed with earnest attempts to develop it. In our Presidency, the genesis and growth of the Land Mortgage Banks have been comparatively recent and are rather fresh in the minds of many present here. It was only in 1925, that the Government of Madras first approved the organisation of these Banks as an experimental measure in certain selected areas. Four primary banks were then sanctioned with a working capital of Rupees one lakh each, which had to be found from share capital, deposits and debentures. In order to encourage the investing public to purchase these debentures, the Government then undertook to take up debentures to an amount equal to that issued to the public subject to a maximum of Rs. 50,000 in any one bank. In 1927, the number of these banks was ten. They however experienced difficulties in selling debentures locally in spite of Government assurances. Therefore, in pursuance of the recommendations of the Townsend Committee on Co-operation and the Royal Commission on Agriculture that the system of primary banks issuing their own debentures was unsound and that their issue should be centralised by the formation of a Central Land Mortgage Bank, the Government in 1929, sanctioned the creation of this Bank to float debentures on the assets transferred to it by the primary banks and to finance them out of the proceeds of such debentures, thus avoiding the flooding of the market with diverse, unco-ordinated debentures of competing primary banks. The work of this Bank has progressed satisfactorily since then. Thanks to the caution, energy and efficiency of those who have been in charge of the affairs of this Bank, the debentures now under circulation are, we are told, of the total value of about Rs. 59 lakhs.

The readiness with which the Legislative Council have endorsed the proposal of the Government to increase the maximum amount of guarantee of the principal of and interest on these debentures to Rupees one crore and the fact that permission has been granted to the Local Boards and Co-operative Banks to invest an increasing proportion of their funds in these securities are certainly a testimony to the confidence in which the Bank and its Management is held. The fact that your debentures are being looked upon as gilt-edged securities is certainly a matter for gratification to all those who are sincerely interested in the progress of Land Mortgage Banks. The fact also that insurance companies have now begun to interest themselves in these debentures is a welcome sign of the great potentialities for the future.

From your latest Annual Report, I find the total number of loans granted since 1929-30 is 2,778. It is therefore no surprise that there should be certain amount of public criticism at the slow rate of progress ; but I have no doubt that the Government have been wise in regulating the rate of expansion and the management should be congratulated on the sound business principles they have followed, which alone have enabled them to build up the high reputation, which the institution now enjoys. But now that the foundations have been well and truly laid, the time has come when more rapid expansion is not only justifiable but necessary. As regards the staff to be provided by the Government, I can assure

you that the Government can be expected to follow a liberal policy in the future as they have done in the past and to provide you with all facilities consistent with their responsibilities to the general tax-payer.

I am one of those who have always felt that this problem of agricultural indebtedness cannot be effectively tackled without the co-ordination of the various credit facilities in our Province, and without a machinery to scale down debts in view of the phenomenal fall in land values. I agree with the views of your President that no scheme of debt conciliation can be effective without the provision of adequate funds. The Government have already realised this necessity and have amended the Agricultural Loans Act so as to include indebtedness also within its scope. I hope the Debt Concilliation Bill now being ably piloted by my friend Diwan Bahadur Ramalingam Chettiar would become law in January next and that by the beginning of the next official year the machinery for debt conciliation would be in full working order.

When I say that there should be co-ordination between various agencies for reduction of agricultural debt, I feel that it is equally necessary that there should be no conflict between the various organisations, and their sphere of activities should be well defined. Co-operative banks should confine themselves to short term credit on personal security and the recent tendency to extend the credits by renewing the loans on taking security of immovable property is to be deprecated. So also the activities under the Agricultural Loans Act should be confined to loans not exceeding Rs. 2,000 so that, these activities do not trespass into the legitimate sphere of the land mortgage banks. The limit of the loan that could be borrowed by any individual from these banks should be raised to Rs. 10,000 generally.

The gradual reduction of the rates of interest to the actual borrower is a welcome sign of progress. Theoretically co-operative banking, if run on scientific and business lines, should make it unnecessary for any legislation to check usurious rates of interest. It is well to realise that we are far from that ideal state of affairs. By saying so it is not my intention to lay the blame at the door of the co-operative movement, but only to point out the magnitude of the task before us, so that the public would realise that the problem has to be tackled in all seriousness.

Some of the criticisms against the Central Land Mortgage Bank and the primary banks are, that so far only 2,778 loans have been granted during the last five years, that there is great delay in disposing of loan applications and that loans are granted only up to 40 per cent of the value of the property to be hypothecated. As regards the first point, in my view, more rapid progress will not be possible without the primary banks having a well trained and qualified staff and without more direct control from the central institution than has been possible in the past. Progress in the directions indicated by me would, I am sure, reduce the delays which, as you will realise, are inevitable in any movement during its infancy. Now that there are signs of the depression lifting and since prices are going up, I would earnestly suggest to this Conference to consider the desirability of raising the amount of loan to be given to 50 per cent of the value of the property. With these measures and with the help of the machinery under the Debt Conciliation Bill, I have no doubt, you will be able to help just that class of agriculturists who are in greatest need of such assistance. There is a feeling in the country both with regard to loans granted by your banks as well as by the Government under the Agricultural Loans Act, that the poor ryot who has no influence finds it difficult to get timely loans. I am not in a position to state categorically how far this criticism is justified, but I only mention it with the hope that you will make

special efforts to efface that impression. I would also suggest for your consideration that you should give preference to loan applications for repaying existing debts as opposed to borrowings for embarking on new improvements.

I realise the special difficulties pointed out by my friend, Sir Ramachandra Rao, in the way of starting primary banks in the dry areas. The need of the ryots in those parts, where nature has been less generous, is as great, if not greater, than other areas and I appreciate the efforts that have been made by you in the recent past to extend the benefits of your institution to this area also. Your President has mentioned some of the difficulties met with in Zamindari areas. Regarding survey and settlement operations, since the War, their cost has become very prohibitive, amounting in some cases, to as much as Rs. 3,220 per square mile. From this you will realise that in these days of depression when landholders are not in a position to realise full rents and have to give concessions either by remissions or by allowing arrears to get time barred no estate would be able to undertake this burden. But I can state from my experience of well managed estates, that there will be no difficulty in identifying the holdings and if necessary such individual holdings can be surveyed. When Sir Ramachandra Rao said that in many zamin areas no *pattas* are issued, I am afraid he has made a rather sweeping statement. Under the Estates Land Act, landholders are bound to issue *pattas* on demand and in cases where this provision is violated, if you bring the matter to the notice of the public, you will be doing a service both to the landholders and the ryots. The one defect, which I am aware of, is that alienation of holdings by sale is not brought to the notice of the landholders to enable them to bring the records up to date. To help the extension of your activities to Zamindari areas, certain amendments were carried out in the Estates Land Act Amending Act of 1934 to give notice in the official Gazettes of sales of holdings and to compel landholders to register *patta* transfers through the agency of the Registration Department. I am sure this measure would result in removing to a large extent the special difficulties you meet with in Zamindari areas.

With the passing of the recent amendment to the Agricultural Loans Act and the coming into force of the Debt Conciliation Bill and the co-ordination of all the various agencies for agricultural credit, I have no doubt, the scope and field of activities of the Land Mortgage Banks would be considerably extended and I think we can legitimately feel that we are now in a position to effectively deal with the problem of relieving the ryot from the burden of indebtedness. At the present juncture, I am sure, you will all agree with me that the greatest benefit that can be conferred to the masses is in this direction and I have no doubt that with the friendly co-operation between the Government and the Central Land Mortgage Bank, which has always been a happy feature in this Province, great progress would have been made by the time when you meet for a similar conference next year.

Extracts from the Address of Sir M. Ramachandra Rao Pantulu, President of the Madras Co-operative Central Land Mortgage Bank

The progress of land credit institutions in this country is vital to the prosperity of the agricultural classes and the interests at stake are too important for Government to remain unaffected. In Europe and America, the Government is actively helping in various ways the working of these institutions and we in India can hardly expect to be an exception. Indeed it is clear from what is taking place in other provinces and in Indian States that they are falling into line and starting Central

Banks on the same lines as ours. We have had visits from official and non-official co-operators of Bombay, Bengal and Central Provinces and from the Indian States of Baroda and Cochin to study our methods and to acquaint themselves with the working of this Bank and its affiliated institutions. During the year, the continuance of the depression has increased the pressure of debt on the agricultural classes and the Local Governments have been forced to turn their attention to the subject of agricultural indebtedness and to study methods of relief. I am glad to say that Mr. M. L. Darling, who visited this Bank and some of the Primary Banks has stated in his report to the Government of India after going round the provinces that with regard to Land Mortgage Banking, Madras is leading India. His report is now before the Local Governments and also the Reserve Bank of India with reference to the proposal for the starting of the Agricultural Credit Department in that Bank under Section 54 of the Reserve Bank of India Act.

The problem of long term credit is now therefore receiving some attention and we are gratified and grateful that the Madras Government have also directly stepped into the field by amending the Madras Agricultural Loans Act, 1883, so as to permit loans for the clearance of old debts being made under that Act. At the outset, it is my duty to express our sincere thanks to the Government for this attempt, though late, to stand by the ryot during this period of depression and I trust that with the combined activities of the Government and of this Bank, some progress may be made in the solution of the problem of rural indebtedness. We are also glad that my esteemed friend Dewan Bahadur Ramalingam Chettiar's bill relating to debt conciliation will soon be passed into law and beg to express the hope that Conciliation Boards will be set up as early as possible. It must be clearly recognised, however, that unless there is a financial agency throughout the province, capable of meeting the financial liabilities of the debtors as settled by the Boards, the mere setting up of Conciliation Boards will do no good. I therefore think that with the establishment of Debt Conciliation Boards the simultaneous development of the financial machinery on a larger scale for meeting the situation is a matter of urgent necessity. I need hardly say that the Land Mortgage Banks are ready and willing to play their part in this important scheme for the amelioration of the ryot at this critical juncture.

The outstanding event of the previous year was the passing of the Madras Co-operative Land Mortgage Banks Act, 1934, by the Madras Legislative Council. It is a matter worthy of note that legislation on these lines is being passed in other Provinces and Indian States. During the co-operative year that has ended with June 1935, the Madras Government published the necessary notifications under Section 6 of the Act guaranteeing the principal of and interest on the debentures to be issued by this Bank up to a maximum of Rs. 50 lakhs, besides guaranteeing debentures already issued to the extent of about Rs. 24 lakhs under Section 7. Since the date of the notification under Section 6, debentures for Rs. 38,14,300 have been issued and it is expected that the maximum guaranteed will be reached in January 1936. As the work of the Bank is rapidly expanding, the Government were requested to increase the maximum to Rs. 100 lakhs, and under Sub-section (2) of Section 6 of the Act, they obtained the consent of the Legislative Council to do so. During the year, the Bank has issued debentures at 4 per cent. for a sum of Rs. 24,15,300 and at 3½ per cent. for a sum of Rs. 2,65,600. The total amount of debentures issued up-to-date by this Bank amount to Rs. 85,53,800 and debentures redeemed up-to-date amount to Rs. 25,59,300, thus leaving a balance of Rs. 59,94,500 in circulation. The demand for them is increasing day by day.

Our Debentures.—The position of our debentures in the share market is satisfactory and is improving. The purchasers of our debentures are not speculators

but they come from those classes of non-speculating investors who seek sound investment of their funds for long periods. Government have been pleased to permit the local bodies to invest portions of their provident fund and Railway Cess Funds in the debentures and the Government have also recognised the debentures of this Bank as eligible for investment of the fluid resources of the Co-operative Central Banks. The Oriental Government Security Life Assurance Company Ltd., and the United India Life Assurance Company Ltd., have for the first time purchased the debentures of our Bank during the year. We have already the Andhra Insurance Company Ltd., and the Asiatic Government Security Life Assurance Company Ltd., on our registers. Insurance Companies have played a great part in other countries in financing Land Credit Institutions and we sincerely hope that the Insurance Companies in this country will do the same in the years to come and we are doing our best to interest them in our debentures and to explain our scheme to them.

Reduction of interest on past Loans.—I shall now have to refer to the position of the ultimate borrower. When this Bank was started, conditions of the money market were very stringent. The borrowing rate of this Bank was 6½ per cent. and loans were granted to primary banks at 7½ per cent., who in their turn granted loans to the ultimate borrower at 8½ per cent. In view of the continued financial depression, it was considered essential that every opportunity should be taken to reduce the rate of interest to the ultimate borrower. The easy conditions of the money market enabled the Bank to continue the policy of conversion of the debentures bearing high rates of interest which were issued in the early stages of the Bank's working. In pursuance of this policy, debentures of the third series bearing interest at 6¼ per cent. were replaced by debentures bearing interest at 5 per cent. The first and fifth series of the debentures bearing interest at 6 and 5½ per cent. were also redeemed in December last and debentures bearing interest at 4 per cent. were issued instead. The money borrowed by the issue of the debentures of the first, third and fifth series had been lent to the ultimate borrower at 8 and 8½ per cent. Consequent on the conversion of the debentures of the said series, the rate of interest on those loans was reduced to 7 and 6½ per cent. After the above conversion was completed the only series outstanding bearing interest at 5 per cent. are the sixth, seventh and ninth aggregating to Rs. 16,41,800 as on the 30th June, 1935. Since the close of the year, the Board has resolved to redeem the sixth and ninth series of debentures and issue 4 per cent. debentures in their place. It is also proposed shortly to redeem the seventh series of debentures, the only series outstanding bearing 5 per cent. interest. When this is done, there will be no loans carrying interest at more than 6½ per cent. to the ultimate borrower. In this way, every effort has been made to pass on the benefit of conversion to the borrowers.

Interest rate and new Loans.—With the organisation of new banks and the expansion of the business of the existing banks, there has been a steady increase in the loaning operations of this Bank. During the past year, a sum of nearly Rs. 20 lakhs was disbursed to the borrowers. In response to the repeated requests from the agricultural classes for increase of the individual maximum borrowing power the Government have been pleased to authorise the Registrar to permit primary banks in select areas to enhance the maximum amount which can be borrowed by an individual member from Rs. 5,000 to Rs. 10,000. With the increase in the maximum borrowing power, it is expected that there will be a considerable expansion of the business of the banks.

The present conditions of the money market have enabled the Bank to reduce the borrowing rate still further to 3½ per cent. Since May last, debentures have been issued for a sum of Rs. 11,97,100 at this rate of interest. The Board has, therefore, thought it fit to reduce the interest on loans disbursed as and from 19th October to 5 per cent. to the banks and 6 per cent. to the ultimate borrower. In present circumstances, an agriculturist requiring a loan of less than Rs. 2,000 can get it from the Government at 5½ per cent. while he can get it through the Land Mortgage Banks only at 6 per cent. The Board is anxious that the rate of interest now prevailing should be further reduced. But there are questions of finance in the way such as the cost of the investigating staff which must now be referred to.

Contribution for Staff.—The question of financing the outdoor staff employed for the benefit of the Land Mortgage Banks has been the subject of anxious consideration of the Board. The expenditure on these banks is on the same footing as the expenditure incurred by the Government on the other activities of the Development Department. There is, therefore, no reason to make any distinction in regard to the expenditure incurred on account of the staff. The investigation is in the interests of both the Central Land Mortgage Bank and primary banks and finally in the interests of the Government which has guaranteed the debentures. These banks are semi-public institutions and not profit-making concerns by their constitution and by-laws; they cannot have sufficient margin of profit to cover the expenditure on the staff. Besides, it is essential, as remarked by the Townsend Committee, that the Central Land Mortgage Bank should build up a strong and adequate reserve fund as rapidly as possible.

In June, 1935, orders have been passed by the Government, that after setting apart 25 per cent. of its profits to the Reserve Fund and paying a dividend not exceeding six per cent. to the shareholders, the Central Land Mortgage Bank should utilise the balance to meet the cost of the staff employed for the benefit of the bank and that the balance, if any, after these requirements are met, may be added to the Reserve Fund. As regards the staff employed for the benefit of both the Central Bank and the Primary Land Mortgage Banks, the Government are prepared, it is stated, to meet the entire cost involved till 31st March, 1937, on condition that after paying a dividend not exceeding 5 per cent. to the shareholders, the Primary Land Mortgage Banks should set apart the entire balance of their profits to the Reserve Fund. While thanking the Government for meeting the charges of the outdoor staff till now and for the assistance rendered to this bank in other directions, I beg to express the hope that the Government will be able to review the conclusions already reached about the cost of the staff and to order that it should be wholly met from public funds and to make it possible to grant loans on the same terms as the Government to the agriculturist. Any other course would result in the cost of the outdoor staff being charged to the borrower and for that purpose a higher rate of interest will have to be levied. This is very undesirable.

New Banks.—The problem of extending the operations of this Bank and organising new primary land mortgage banks is beset with many difficulties and I should like to refer to some of them briefly. In the first place, there is the problem of the investigating staff. In recent years, Government have appointed three Sub-Deputy Registrars per annum and have intimated to the Registrar and to us that we should organise not more than ten banks per annum. In the second place, it has been found on investigation that the establishment of primary banks is easier in certain areas than in others. We must be certain that the ryot has a reasonable chance of repaying what he has borrowed. We have, therefore, chosen areas

protected by the delta systems, river channels and wells which are in a better position than areas which are purely rain-fed. It is more difficult to grant loans in these areas. The Ceded Districts come under this category. They are all of dry tracts and rainfall is smaller than in any other part of the Presidency. Apart from this there are areas where the human element for the management of these institutions is lacking. Very careful preliminary investigation has to be made in this matter before a bank is started. Some of the areas suggested for a bank includes Zamindary and other estates which have not been surveyed and settled. This is a real and genuine difficulty in the working of land mortgage banks as the property to be mortgaged must be properly ascertained and defined in the records to which the public should have access. In the absence of this public record, we have to rely on village records for the identification of lands. Another impediment that has been felt is that many of the ryots in Zamindary areas have no pattas which is the root of title to the ryots. Unless we are satisfied that the lands proposed to be mortgaged are in the village accounts registered in his name as the owner of the property, we are not in a position to grant a loan. I beg to express the hope that land-holders would in their own interests and in those of their ryots will have the estates surveyed and settled and also issue pattas to their ryots.

The Primary Banks have maintained a high standard of work in the management of the institutions under their care. Land Mortgage Banking is much more complicated than ordinary banking both in its accounting and legal technicalities and the Primary Banks have established a standard which is steadily maintained. It is a pleasure to state that the Primary Banks are not in arrears to this bank.

Resolutions passed at the Conference

1. Contribution by the Central Land Mortgage Bank and Primary Banks for the Government staff as per orders of the Government.

The Conference requests the Government to reconsider its decision that the Bank should contribute towards the cost of the outdoor staff in view of the fact that the bank is doing the work of relieving indebtedness which is its legitimate work, that it has guaranteed the debentures and that the Bank has to build up a strong reserve and provide for a building of its own.

In the meanwhile, the Conference requests the Government not to insist on the contribution on the understanding that the amount of contribution demanded may be added to the Reserve Fund.

2. Surplus funds of Primary Banks—investment in Central Land Mortgage Bank as share-capital and time deposits.

Primary banks may loan their own surplus share-capital, subject to the applications being investigated in the same way as applications sent to the Central Bank and being sanctioned by the Central Bank.

3. Nomination of two Directors to the Primary Banks.

The Conference is opposed to the nomination of Directors to the Boards of Management of the Primary Banks and requests the Registrar to delete the provision in the Model By-law.

4. Revaluation of mortgaged properties—whether necessary every year in all cases.

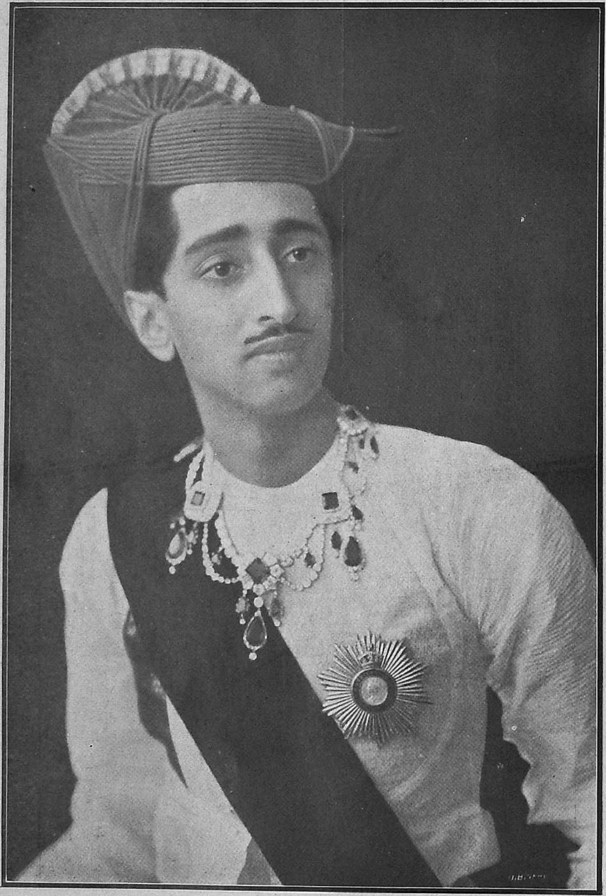
The present procedure may be followed.

5. Reduction of the rate of interest on loans bearing higher rate of interest—supplemental bonds.

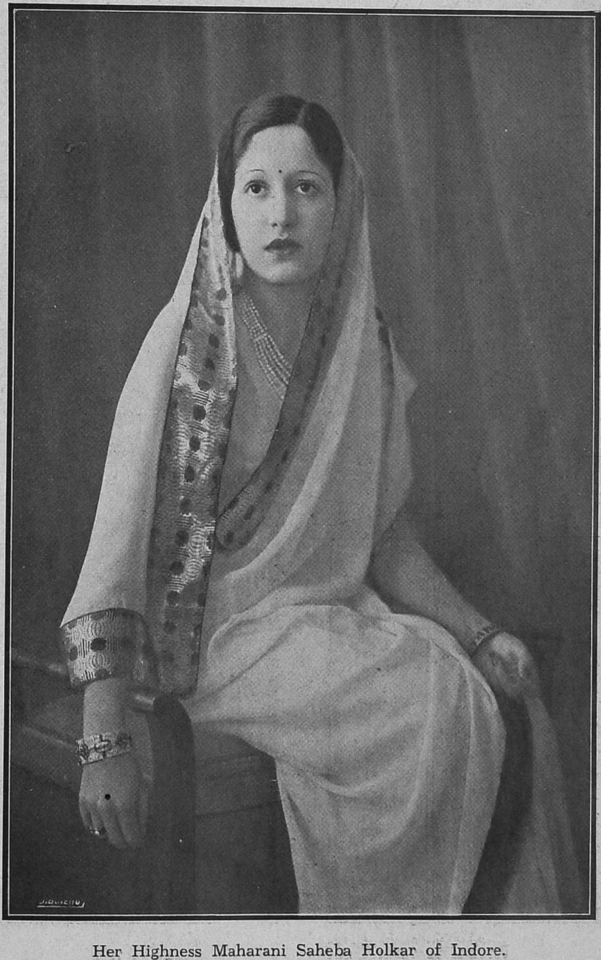
Diwan Bahadur S. Aravamudu Iyengar, President, The Holkar State Co-operative Conference.

Mr. V. Ramadas Pantulu, President, Central India, Rajputana and Gwalior Co-operative Conference.

Rajya Bhushan S. T. Dravid, Chairman, Reception Committee, Central India, Rajputana and Gwalior Co-operative Conference.



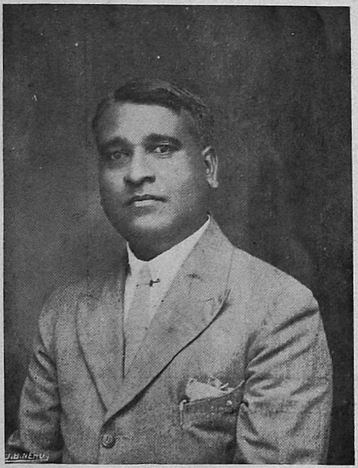
His Highness Maharajah Holkar of Indore.



Her Highness Maharani Saheba Holkar of Indore.

Mr. M. B. Rege, Chairman, Indore Premier Co-operative Bank.

Rai Ratan A. G. Sherlekar, Manager, Indore Premier Co-operative Bank.



Mr. K. T. Bhate, Editor, *Sahakari Madhyabharata.*

Mrs. Bhagawat.

Effect may be given to the resolutions reducing interest from the dates of the resolutions and the Primary Banks may take the supplemental bonds as soon as possible.

6. Alienation of mortgaged properties—taking bonds from alienees—whether partial alienation should be allowed.

No fractional alienation can be allowed without the previous consent of the Central Land Mortgage Bank.

7. Acceptance of houses in urban areas as additional security.

In exceptional cases, if 4|5th is land, 1|5th of the security may be accepted in the form of house property in urban areas.

8. Price of paddy—proposal to value at Rs. 4 per bag.

The Deputy Registrars may be asked to enquire and report with reference to each district.

9. Filing of original deeds or registration copies in the case of immediate documents of title.

The present practice will continue.

10. Reduction of rate of interest to the ultimate borrower to 5 per cent.

The Conference is of opinion that the Central Bank should retain only 1 per cent. on the loans so that the ultimate borrower may be lent at 5½ per cent.

THE HOLKAR STATE CO-OPERATIVE CONFERENCE.

Indore, 25th November 1935.

Extracts from the Inaugural Address of Wazir-ud-Daulah Rai Bahadur Sir S. M. Bapna, Prime Minister of Indore

It was a happy thought indeed to hold the Co-operative Conference at Indore. It was a happier one to invite experienced co-operators from outside to participate in the deliberations. The Co-operative Associations of these parts have by that means secured the personal guidance and advice of people who have devoted much thought and energy to Co-operation—people like Diwan Bahadur Aiyangar and Mr. Pantulu to name only two. The President, Diwan Bahadur Aiyangar, hardly needs any introduction. He is a veteran co-operator from the State of Hyderabad where, quite appropriately, he has been elevated to the position of the President of the Dominion Co-operative Bank. You could not have made a better selection.

His Highness and his Government will be watching your deliberations with the keenest interest. His Highness is deeply interested in rural uplift. The amelioration of the condition of the agriculturists is very dear to him. The Co-operative Movement is one of the means to attain that end. The successful tackling of the difficulties that beset the movement and purging it of the defects that are not inherent but imported is therefore of the greatest importance and interest to him. I do trust that this Conference and the bigger one that is going to be inaugurated to-morrow will make united efforts to place the Co-operative Movement on a sounder and healthier footing. On behalf of His Highness's Government I can assure you that the Co-operative Movement will have all the sympathy and the assistance that it is possible for them, consistently with their resources, to give.

His Highness's Government have believed in the importance of the Co-operative Movement and have accordingly been ever ready to afford all possible facilities for

its growth. The result has been steady expansion though lately there has been some stagnation and the deterioration specially in the sphere of agricultural co-operative credit movement. That has been due to some defects in the method employed by the workers, which the Co-operative Department is trying to remove. I personally am a great believer in Co-operation. Its influence to my mind is not confined to the sphere of rural uplift only. It leads to much more comprehensive results. Its real value lies in making society co-operation-minded. That mental attitude makes the higher forms of Co-operation in the social, religious and political forms possible.

I now formally declare the Conference open and call upon the organizers to commence the proceedings.

Extracts from the Presidential Address of Dewan Bahadur S. Aravamudu Aiyangar, B.A., B.L., M.B.E., President, The Hyderabad Co-operative Dominion Bank

Co-operative federation precedes Political. The Indian Political Federation is yet to be achieved. But Indian Co-operation has already achieved a Federal basis. The All-India Co-operative Institutes' Association, and the All-India Provincial Co-operative Banks' Association, embracing all Institutes and Provincial Banks, both in British India and Indian States, have begun to function for the last five years and more. What more, British India has not been reluctant to invite State Co-operators to take the chair in their conferences. The Twentieth Madras Provincial Co-operative Conference offered me, a State Co-operator, the presidential chair. To-day I am in the midst of co-operators of a Sister State. There are no borders for or against us. No line divides us. Our personal Loyalty to our Ruler in tact, we as co-operators—missionaries in a great cause—have to-day grown to think in terms of an Indian Federation. Let our political brothers note that this co-operative spirit is really leading the way better for national solidarity. Without an Act, without any rules, and, shall I say, without any safeguards, Indian Co-operation has already gained for itself a Federal structure and constitution that moves on and works unruffled and unperturbed.

Clouds on the Horizon-"Our candid friends." Since you met last in a conference, greater difficulties have grown in Co-operation as in other spheres. A world economic crisis has begun. Stability in anything is not assured. Our "candid friends," have not been slow to point to the great defalcations, unpardonable misappropriations and to the deplorable depravity of some of our erstwhile co-operative workers. Between the ills within and the rebukes from outside, the movement is now put to an acid test. Are there men of solid stuff who have the ability and inclination to resist the downward march, to stop the flow, check the evil influences and bring the movement to its old pristine purity? Or should we hang down our heads in shame and take to sack cloth and ashes?

Only Course-Face it. Two courses are open. One is that of a man, another is that of a sneaky coward. One is co-operative, another is unco-operative. My respectful suggestion to this audience is, be manly, show you are a good sport. It is far better to swim and swim with difficulty ashore than to court a watery grave. Anyway our distress is not really so great as others paint our position; let me ask: are the joint stock banks better? Are the individual bankers better? Is, in fact, any financial concern more thriving? Our institutions are Statute-controlled and work under laws and regulations. A capitalist settling wholesale with his debtor with

a payment of only 25 per cent or 50 per cent of his liability and without interest, is an event of common experience. It passes unnoticed. Such a settlement by a bank will at once provoke the wrath of the multitude, excite their suspicion and give place to rumours which will be set afloat that the particular co-operative bank is fast winding up its business with what it can get! This statute control is our merit; no doubt it involves hardship. A society cannot deal expeditiously and summarily as an ordinary banker does. Let our critics understand that a co-operative bank to realise its dues by liberal remissions has to face several dangers, both in point of general repute and popularity, as well as its financial stability. An individual banker may write off his unrealisable outstandings and carry on in the new year with a clean slate. His rise or fall is his alone but not so in the case of a people's co-operative bank.

Regarding lack of business honesty, if our co-operators are not above suspicion and lay themselves open to criticism, which is in some cases true, it is time we put our house in order, expose all, big and small, who are guilty and who do not deserve our confidence or the position we have given them. They are a cancer to the co-operative body-politic, which can be cured only by merciless amputation. One need not be cowed down by criticisms. The biggest frauds have taken place in some of the leading joint stock banks and auditors with bewildering degrees have even been quietly issuing their auditors' certificate! Some joint stock banks start to-day, only to be liquidated the next day, unceremoniously even before the flowers decorating the opening ceremony of the Banks fade or lose their colour! But a co-operative bank's failure, even if it be one in a thousand, a misappropriation by a wily Secretary is at once made the subject of talk in the bar-room, gossip in the bazaar and vituperation in places other than co-operative circles. Is it fair?

Human institutions have their faults and every man does not turn into an ideal co-operator by mere membership. Failures alone should not be counted. Why not the success of the movement be also estimated? Has anybody seen the figure of the Common Good Fund of all the Indian co-operative institutions? Has anybody measured the social service which co-operative money has done? Will anybody enquire of the large sums paid by co-operative banks towards the Bihar Earthquake Relief?

I do not hold a brief for those that have behaved in an unco-operative manner. They are traitors to the cause. Let them have a long rope to hang themselves with and once we are convinced of their guilt, let us not even scruple to put the knot tight round their neck. They shall have no quarter here or any-where. But let not the instances of these guilty persons be the cause for disturbing our faith and conviction in a great cause, our devotion to a great movement and our still greater anxiety to render service to those, less fortunate than ourselves.

Difficult situations—What remedy? Planning! The crisis in one of the acutest, the world has ever seen, or the Indian peasant has ever experienced. The penury is something appalling. What is the remedy? The Indian and Provincial Governments and even some Indian States have taken in the slogan of Economic Planning. "Ten year plan" and "Five year programme" are being talked over, probably it looks like being "talked out." But is this the time for mere talks of planning, for taking surveys to work out a scheme after the planning is completed? Our enthusiasm turns cold, we shudder at the complacency with which things move when the wolf is at everybody's door. A ton of doctrinaire theories, a mass of statistics with a bewildering number of suggestions on which Doctors of Economics are bound to differ, cannot compare in value and utility with an ounce of an

immediate *single item of practical action* which goes to add a pie to the economic resources of the Indian peasant.

Immediate Non-costly steps—Take them on hand. Should we not at once try to put more money into the pocket of our villager? That is the only direct and plain problem. Our local bodies—Municipalities and District Boards—have a duty to perform towards the peasant. They should hereafter declare the road and building contracts will not be given to individual contractors but to Co-operative Road Makers and Mason Societies which may be formed everywhere. This procedure will avoid the odium that generally attaches to the authorities that control the giving of such contracts while the Local Body by such action would be deemed to have done a signal act of service towards national reconstruction. Not that monies are not forthcoming. The Local Bodies can float debentures, take up extensive road connections from village to village in their area. Let this era be a Road-era for the Local Bodies. Road connections mean greater facility to the villager; easier modes of transport are afforded and to a great extent the difficulties in the way of removing the produce to a central co-operative godown of a sale society or even an ordinary store are avoided. This road-era will give the peasants *immediate* scope for employment in the road-making close to their villages and the workless days will become income-earning days for sometime to come. This is again the time for taking up the repairs of our irrigation sources and channels. Labourers are there, wages may be moderate, monies are forthcoming, provided they can be used in safe investments. Monies are locked up in the hands of the rich and the middle class who are prepared to lend them only on thoroughly safe lines. Any Government can float a loan and big irrigation repair projects can be taken up and the lives of many a starving peasant can be saved. Even in these enterprises, care should be taken that the respective co-operative officers of the locality immediately start one Irrigation Workers Society and the work is done through it. Else all the projects will have been in vain as it will be to the advantage of only a few. These and other suggestions can be immediately worked out. But all of them should be subjected to three conditions precedent: (a) It should *not* involve migration of the villager to the city as it would only add to his expenditure. (b) It should imply the migration of money from the town to the village on beneficial enterprises. (c) The distribution of the money on the said enterprises should be through the medium of a Co-operative Society and not on an individual basis.

Experiments so far. Glib talks of aid to industries and on promotion of cottage industries have not taken us far. The eagerness of the Government in these matters is not yet sufficiently known in the villages and the villages have not received any substantial benefit. The co-operative financing banks have been advised by the Department to reduce their rate of interest, offer concessions to societies who pay up under certain conditions. All these have been of no great avail. Still repayments are not forthcoming. Where is the money to come from? When we don't offer facilities for making additional money, any concession in case loans are repaid, is of no benefit at all.

I would urge on all Governments the desirability of taking up, and fostering *immediately* extensive programmes which will readily absorb the unemployed peasant and give him more facilities to earn more and to lay by something.

Financing Bank—An Imaginative Policy Wanted. The financing banks have still a duty to perform in this matter. They can stand behind village co-operative societies taking up other kinds of additional work to add to the earning of the villagers. Instead of hoping to get possible imaginary gains in other directions by

raising the quality of the produce or the quantity of the yield, that sounds well on paper, to advance monies on projects wherein the physical energy of the peasant in his non-working day can be harnessed, is a sure means of alleviating his economic distress. This is the time for bold venture and bold imagination. The Provincial Banks and District Banks can pool all their heavy surpluses and finance such road and irrigation repair contracts by village societies.

Rural Reconstruction—Liquidate Illiteracy. I am a great believer in Rural Reconstruction but I fear we have been overtalking about it. If any Government feels there is a necessity for Rural Reconstruction, it is time they begin to straightaway start a Department, at least as a temporary measure and see to its progress. No tinkering policy will do. Sentiments do not count. Actions alone will tell; the Indian peasant wants the latter.

Our educational reformers think they have done their duty by opening schools in all villages. It is good for the *future* generation. But what about the *present* generation? I would suggest that in every village of at least 200 adult male inhabitants, there ought to be a night school with classes from 7 p.m. to 9 p.m., and all the adults below 45 should be made to have a compulsory course of study in the vernacular, enough to make each man to conduct his own correspondence and maintain his accounts and also to gain knowledge and capacity to read and understand things and events happening in his country. The rudiments in mathematics, geography, history and literature will do. This can be immediately taken on hand by a fiat of our District Board authorities to the school masters of institutions in villages, to run a night school also for adults. Additional allowance may be paid to the teachers and what appears as a big problem may be solved to a certain extent by this expedient.

So far as British India is concerned, large grants are being given to the provinces by the Government of India for this purpose and the provinces are being called upon to submit schemes for adult education. I believe that several States too are likely to tackle this problem. If that be so, I would earnestly plead that the grants are placed under the control of co-operative institutions—say under a State Co-operative Propaganda Institute in an Indian State, so that without reduplication or additional machinery, the work can be taken up and proceeded with.

Audit. Illiteracy and ignorance have been responsible for several frauds in societies. But has the audit been perfect? It has to be painfully accepted that some co-operative auditors have not done their work properly. A fraud of 1930 is discovered in 1935 and it follows that auditors from 1930 onwards have obviously not done their duty properly. A more stringent audit is necessary. The work is being done by persons whose status and salary do not embolden them to demand and inspect cash balances in big Urban and Central Banks where big persons happen to be in the management. This hesitancy has led to several unexpected frauds. In fact the sacredness of the audit itself is lost. The finality that ought to attach to an audit certificate, as in the case of Local Fund Audit, is unavailable. It is stated in all responsible quarters that audits done by subordinates are merely signed by the higher officials under whose name the audit certificate goes. Very many of the said officials do not themselves know the techniques of audit; in fact cannot audit the accounts of a society. An officer who has not the capacity or training to test the work of his subordinate audit staff least deserves to hold the office.

The Department—Personnel. Persons with real aptitude for social service whose antecedents have always shown them to have such an inclination and whose

sympathies cannot be changed and who above all are possessed with an imagination to strike new and sure paths for economic amelioration should be on the staff of this Department. English Degrees or Indian University Diplomas alone cannot guarantee these. Direct recruitments of such qualified people have not been an unqualified success. We want *Men*, not so many degrees. We shall certainly welcome men coupled with qualification. Bad choice or bad selection spells disaster for the movement. Persons who ought to have been in the Police Service, gentlemen who ought to have found their way into the Military, and others who cannot be provided for anywhere else have been given berths in Co-operative Departments, with the result that things move in the most unhuman fashion in a really human department. This is not intended for persons whose ideals are a gay atmosphere, a good evening club life and a good night drive after dinner. Patrician outlook and proud ways cannot go hand in hand with an attitude to move with the meanest peasant, to know his wants and satisfy them if possible.

Recruitment from Non-officials. Non-officials of ability and proved trustworthy co-operative service ought to be taken on the regular cadre as officers. In such cases, age restriction, and service regulations ought to be modified. If efficiency of the movement is considered, this ought to be done. Many trained men are available in non-official ranks and it is far better to absorb them than to rely upon inexperienced raw men, fresh from colleges.

Relationship between Officials and Non-officials. I am assured that the relations between the officials and non-officials in this State are cordial. I am glad it is so. One has no right to sit over the other. For one, it is a labour of love, for the other it is one of duty. Both should work in harmony. The official should never work for the overthrow of the non-official and the latter for the transfer of the former—a sorry spectacle in several places. The official is not to hinder, is not to impose his opinion, and if he is not allowed to do so, he is not there to see to the downfall of the men in power. It is most outrageous. The non-officials too should not be obdurate ; they should yield to get the best results but remain adamant on matters of principle.

Congratulations on work done. Co-operators in this State deserve hearty congratulations. A year of acute economic crisis, you have been able to tide over. Both the co-operative societies and the numbers on their rolls have been on the increase. The five banks have rendered a good account of themselves. I see there is a lack of human material in the two areas, Sanawad and Petlawad and this has naturally gone to the extent of arresting the flow of deposits. It is difficult to start a financing machinery. Having started it, let it be kept on. I request you and such of those able retired gentlemen who can take up the work, to go and settle in those places and pull up the work that needs your helping hand.

I am particularly gratified to note that the Maheshwar Bank specialises in the finance of weaving and I am quite sure it will interest our friends of the Madras Presidency who have started a Provincial Weavers' Society with Government grant.

I see there is an attempt to start an Apex Bank. I wish, you all bless the proposal and see it is a fact ere long. It may be in a position to pool all the resources and what is more, bring the Central Banks together on a platform, whereon they can discuss questions affecting finance from diverse standpoints and experiences. To allow the present position of the five banks drifting on for themselves is not likely to give them a touch of unity or solidarity which is necessary for all co-operative enterprises.

The Tasks Ahead:—(a) Urban side. Urban co-operative needs are fundamentally different from those of rural. It has been found too easy to run urban co-operative societies (now-a-days called banks) as human material is always available and as the principles of co-operation are easily understood. The best type of societies are those which do not lean on the Central Bank for any purpose whatever. They should be able to invoke confidence in the public and attract deposits. To meet urgent calls, to maintain fluid resources, cash credit accommodation can be had in the Central Bank.

In the case of deposits, terms that we can offer need not necessarily be competitive with other joint stock concerns. In fact, the security of the co-operative banks always is a factor in our favour and it also prevails with the depositing public. Slightly lower rates of interest, than those in the market have not affected the incoming of the deposits. But, in any case, the urban societies should understand they are not doing joint stock banking in the main.

The existence of several good urban credit societies has naturally given rise to the idea of separate Urban Central Bank, as contradistinguished from a Rural Central Bank which the present Central Banks primarily are. In the Madras Presidency, where Urban Banks are a noteworthy feature, there have been attempts at similar direction. There have been two or three separate Urban Banks Co-operative Conferences too, where opinions were expressed to have a distinguishing section of their own in the co-operative sphere. They have not progressed far. My humble opinion is, there is not really a necessity for sectional grouping or activity. Our workers even in urban areas are few and on them has already developed the work of running both the Urban Banks and also the Central Banks. To start another institution will only add to the list of responsibilities of the few workers. Besides, centralised finance is the best. There is nothing inherently difficult or impossible in urban societies and rural societies being financed by the same institution. Advocates of the new Central Urban Bank have not advanced any argument of inconvenience in the financing hitherto and have not taken us into confidence as to the possible advantages that are likely to be gained.

(b) Rural Aspect of the movement. "Heavy overdues" is the cry everywhere. Steps should be taken to collect them but there should not be any unnecessary haste or undue delay. The Statute should be suitably amended if necessary—as done in Madras—to suspend the management of an effete committee and hand it over to an influential person who may take steps to work and revive the society. Facilities for arbitration-references, execution of arbitration decrees through the Department (act should be amended if not done already) to avoid delay, giving necessary additional staff for execution are all the urgent things that have to be done.

The big problem of taking over the long term loan overdues of the primary society by any Land Mortgage Bank after testing them is a question you will have to decide, yourselves; so also the duration of the new loans any Central Bank can advance hereafter on short term basis.

Above all stock-taking has to be done. The time has come when the Central Banks will have to know for themselves at least now where their assets stand. For this, an intensive and speedy examination of individual loans will have to be gone through side by side with attempts at gradual realisation. This examination will show our real position and may embolden us to adopt a policy of a good remission of overdue interest if the principal is forthcoming. Or some other concession policy can be launched. The banks' money is the royts' money. If we treat them properly

and remove their debt-load now, we are only standing to gain by their transactions with us again. The immediate needs of the hour are the speedy examination of the loans and offering concession. The banks, if they have not done them, ought to take them up at once. That is a service for which the customers are bound to be ever grateful and as co-operative bankers; the greatest measure of help will have to be done by us.

Common Good Fund—Propaganda and Training. This fund is considered by a great many as composed of charity doles! The money of the fund ought to be properly safeguarded and utilised. A great percentage of this fund can be immediately earmarked by all the co-operative institutions—can be even done by an order of the Registrar—and the same be handed over to the Chief Propaganda Body of the State to be utilised for the purpose of training Panchayatdars and Supervisors and Inspectors. If funds permit, a Co-operative College to offer instruction for Secretaries, Managers and others of urban institutions can be also thought of. In any case, an adult school in a village coupled with panchayat training is absolutely essential for the success of co-operation and in fact for our national revival. There are enough funds with us. We can make a beginning and the Government will surely entrust us with more funds for the purpose, once we show we have spent our money well.

Elections and co-operative money. Office bearers of co-operative societies have been found in several places to have used Co-operative money obtained by means of benami or direct loans for the purposes of their elections in Local Bodies or Legislatures. It is a tragedy; the result is that they find difficulty in repaying the same. In several provinces, the Registrar has drawn attention to this fact and stated that the office bearers of co-operative institutions shall not have anything to do with local bodies, not only to avoid the above said expenditure but also to avoid the importation of local bodies party politics in co-operative matters.

Conclusion. Co-operation is discredited in certain quarters, is derided by a great many and a few honest souls wonder how, after recent frauds in several places, it would survive. We have to meet these and other charges. Faith, Conviction and Courage shall be our watch words. Honesty, Publicity and Rout of the dishonest shall be our main guiding principles. Co-operation is the surest and only way to solve our ills. Co-operation is a borrowers' democracy; it has survived so far; while in politics, democracy itself is on its trial. Let us march steadily and surely. The Indian peasant should become more virile, more erect and more optimistic. Co-operation has yet to find fresh field and pastures new to achieve this. Till then, it will have to march on unfettered and unperturbed. This great Indian State plays a great part in the consummation of that great ideal and you, worthy citizens of a worthy Raj, have your share of it. March on! Stop not till the goal is reached!

Resolutions passed at the Conference

1. In view of the increase of deposits in the Urban Banks this Conference is of opinion that a committee consisting of representatives of various Urban Societies, Central Banks and the Premier Bank be organized to advise the lines and to lay down the terms on which deposits should be accepted by them from members and non-members.

2. This Conference is of opinion that in every Urban Society as far as possible Personal Credit of a member and his ability to pay should be the primary consi-

deration for advancing loans to him, and his sureties or other tangible securities offered by him should only serve as collateral security for the purpose.

3. This Conference recommends that the Urban Co-operative Credit Societies should aim at gradually increasing their own capital by allotting larger amounts from their profits to their reserve capital by introducing compulsory savings from their members and also by reducing the percentage of the dividend paid to their members.

4. This Conference is of opinion that the amounts annually set aside for charitable and education purposes by various Urban Co-operative Credit Societies should be pooled and usefully employed for carrying on schemes of general utility by the Urban Banks' Union or the existing Central Association.

5. There should be a Managing Board elected by the General Body for every Urban Society. This Board should elect a Working Committee from amongst its members.

The function of the Managing Board will be to lay down the principles, policies and rules of working, and supervising the work of the Working Committee, while the Working Committee will be concerned with the day-to-day management according to the policies and principles laid down by the Board.

6. This Conference places on record its sense of great loss in the sad death of Mr. Gopal Krishna Deodhar, President of the Servants of India Society, and of Dr. G. B. Naralkar, an ardent co-operator and a Director of the Premier Co-operative Bank, and of Mr. S. M. Dharma, Ex-Registrar of Co-operative Societies and one connected with the Co-operative Department from the very initial stages of the Movement.

7. In view of the growth of heavy overdues in certain primary societies, due to some laxity and absence of vigilance inevitable in the initial stages and due to recent abnormal economic depression, this Conference urges upon the Government to supplement funds of the Central Banks and Primary Societies with loans free of interest, repayable by easy instalments suitable to the economic needs of the members.

8. This Conference requests the Government of His Highness the Maharaja Holkar to provide a responsible officer with adequate ministerial staff under the Registrar, Co-operative Societies and adopt provisions for recovery of awarded dues and contributions ordered by the liquidators on lines laid down in the Madras Presidency. This Conference further requests the Government to immediately take necessary steps in this behalf.

9. This Conference requests the Government of His Highness the Maharaja to contribute an adequate sum to the Indore Co-operative Central Association as recommended by the Indore Co-operative Enquiry Committee.

10. This Conference requests His Highness's Government to kindly arrange to give a subsidy of Rs. 600 to 800 for initial expenses of management for five years and a long term loan of Rs. 3,000 to Rs. 4,000 for godown arrangements to each local Sale and Supply Union or Society, one in each centre, and Rs. 15,000 to a central institution of this type for godown arrangement at Indore with an annual subsidy of Rs. 3,000 per year for ten years for management expenses.

THE CENTRAL INDIA, RAJPUTANA AND GWALIOR CO-OPERATIVE CONFERENCE (INDORE).

(26th November, 1935)

Extracts from the Address of Mr. S. T. Dravid, Chairman of the Reception Committee

Since 1914 when the Co-operative Movement was started in the Holkar State it has been steadily expanding. It has been endeavouring to inculcate in its scope various activities tending to the economic improvement of persons of limited means. This achievement of ours, if I am permitted to call this as achievement, is in no small degree due to the advice and information given to us willingly and unstintedly by veteran Co-operators of Bombay and Madras and other Provinces.

This time a departure from our old rut, was considered desirable as a change of ideas, knowledge of difficulties and their solutions amongst Co-operators of the Holkar State and the neighbouring territories are sure to clarify matters and help improvements.

It is very gratifying to find that Hyderabad, Gwalior, Datia, Rajgarh, Dewas, Kotha and Jodhpur have sent in their representatives. Distinguished Co-operators from British Provinces have also been kind to attend this Conference. We have therefore every reason to hope that the discussions of various subjects of this Conference will be held from all points of view and a practical education will be found of the various problems connected with Co-operative Institutions.

Your Highness has always been taking very keen interest in devising methods for improving the education of Your Highness's subjects, and we naturally turn to Your Highness for the inauguration of the Conference. With Your Highness's blessings and the inspiration produced by Your Highness's conduct, we hope to be able to put the edifice of Co-operation on a stronger basis and be of help to Your Highness in the noble work. On behalf of the Co-operators assembled here to-day I now respectfully request Your Highness to inaugurate to-day's proceedings.

Inaugural Address by His Highness the Maharajah Holkar of Indore

The welfare of the masses has been engaging the attention of the Governments and the public spirited workers all over the country. Agriculturists form the bulk of the population of India and amelioration of their condition, therefore, naturally has the maximum share.

No country has ever achieved big things with a weak peasantry. It is therefore necessary to strengthen the position of our cultivators. It is also proper that those who actively produce should not themselves be allowed to suffer for want. A variety of factors has been responsible for the inequality of distribution of wealth from which we are suffering to-day. But it is within the power of man to make re-adjustments as conditions change. A timely realization of this will enable redistribution of wealth without any change in the social structure. Co-operative Movement is one of the best means to achieve this also for the uplift of the masses and reduction of their distress and for the provision of better outlook for them. I am convinced of the imperative necessity as well as advisability of improving the lot of the peasant population which is so very dear to me. My interest in the Movement is therefore natural and it is a great pleasure to me to see so many distinguished and experienced co-operators assembled in my capital

to discuss problems connected with the Movement and I assure you I shall be watching your deliberations with great interest. The Movement is passing through a critical stage but good results can be obtained by reorganizing and conducting it on the right lines. The Movement has however vicissitudes in the past but yet there is no reason to be discouraged. You can still hope that by honest and persevering efforts you can ensure its nobility and strength.

You have a noble task before you and I hope you will stick to it with sincere desire and determination to succeed. You have my best wishes. I have so much pleasure in declaring the Conference open.

Extracts from the Presidential Address of Mr. V. Ramadas Pantulu, President, All-India Co-operative Institutes' Association

How to Resuscitate the Movement—Pursuit of Co-operative Principles.— Co-operators have to admit that to-day the failures of the Movement are more prominent in public estimation than its achievements—that the deterioration that has crept into our daily activities is attracting more attention, than the idealism and the cardinal principles of Co-operation, for which we profess to live and work. The main cause for this regrettable turn in the fortunes of the Movement, in my opinion, is moral more than material. Schemes for arresting further deterioration of the Movement and improving the working of our institutions are, in some places, held up, if not thwarted, by the utter absence of the spirit of co-operation and disciplined action. It is a humiliating spectacle to find in these days of our travail and trial, that the services of the "friend, philosopher and guide" of the Movement—the Registrar—are in requisition more to decide quarrels among co-operators, to chastise committees engaged in internecine warfare, to appoint dictators who replace boards which have ceased to function, and to detect frauds, than to help co-operators to expand, strengthen and popularise the Movement.

If *Union* gives place to *Dissension*, *Justice* to *Wrong* and *Peace* to *Strife*, does it not mean that there is an end of Co-operation? And yet, that is what is happening in many of our institutions. To add to our troubles, political and communal differences which have absolutely no place whatever in Co-operation have also found their way into the Movement. All this must cease. If we are to arrest the further deterioration of the Movement and make any progress at all, we want men and women who live and work in an atmosphere of co-operative idealism, promoting loyalty to the Movement and discipline among its ranks. We must realise that our co-operative institutions are not mere soulless repositories of money and merchandise, or rendezvous of book-keepers, clerks, accountants and auditors. They are living institutions, depending on our devoted and selfless services which demand the exercise of the highest qualities of head and heart, that those engaged in those services are capable of. The salvation of the Movement and its future, therefore, depend upon co-operators, official and non-official, high and low, paid and unpaid, bringing to bear on their daily task co-operative ideology in a true spirit of service and sacrifice. The first and foremost solution, therefore, for the resuscitation of the Movement is the rehabilitation of co-operative ideals and the development of co-operative conscience.

I rejoice to find that in the Indore State, you have, both in the non-official and official ranks, workers who are devoted to the cause of Co-operation and who are animated by a high sense of duty. Added to this, you have in His Highness the Maharaja Holkar, a Ruler who takes genuine interest in the Movement and who realises its potentialities for the economic uplift of his subjects. There is then

no reason for you to feel despondent about the future of the Movement in this part of India.

Need to overhaul the Structure of our Organisation.—The present structure is not one, the various parts of which are organically inter-related. The component parts of our machinery are not so set as to fit into each other, in order to generate the necessary motion in the required direction. The Primaries are members of Central Banks and the latter of the Provincial Banks, where they exist, without a real federal relationship between them. There is no plan or design at the back of the existing organisations. The policies enunciated by the general body or the committee of a central society represent in theory the decisions of a majority of the affiliated societies; nevertheless, they are not binding on the general bodies or the committees of the latter individually. Any attempt to enforce such policies is stigmatised as dictation from the centre and is said to offend against the principles of autonomy of the units. This notion, in my opinion, is radically wrong, for, in a federal structure, the power in the centre can be fully harmonised with the autonomy of the units which is broadbased on the ultimate democratic control exercised by the units, which voluntarily federate and cede such power, which they may take back if misused. This reform will not only improve the efficiency of the Movement, but will also result in substantial economies.

My plea for such centralisation is, however, based on the assumption that the primary societies and their representatives on the central societies are capable of exercising healthy influences on the policies and general working of such central societies. But, if those representatives, because of ignorance, incompetence or indifference, do not realise their responsibility, no amount of reform or centralisation will produce any beneficial result. I, therefore, appeal to the representatives of the primary societies to realise that the central institutions are established for their benefit, that they are owned by them and that they should be wisely managed by them.

I do not propose to enter into such controversial questions as to what place should individuals occupy in the central societies which are mainly intended to serve their member societies, how these central societies should be constituted, whether the Central Banks should be large or small and whether they should be independent units or branches of a larger central institution. These questions must be solved largely in accordance with local needs and conditions. But I may be permitted to give one small indication of my personal view in regard to one of these questions. I am not in favour of *small* Central Banks. They are a danger to our Credit Movement. In areas where there is no scope to form large independent Central Banks, my advice is to make them branches of a strong central institution.

Aim of Agricultural Co-operation—Economic needs of the Peasant.—The main aim of Agricultural Co-operation, if I understand it aright, is the all round improvement of the economic condition of the agriculturist, by organising him on a co-operative basis both for production and for marketing of his products. In order to accomplish this aim, we must help him to buy his finance cheap and sell his produce dear. The primary function of the rural co-operative credit society is to free its members from exploitation by outside capital. Provision of cheap capital and credit for production and marketing is the greatest need of the agricultural industry in this country to-day, and as long as the cultivator depends for such capital and credit on the usurious money-lender, there is no prospect of his economic freedom or prosperity. I, therefore, plead for the reduction of your lending rate to the ultimate borrower to the utmost extent you can. I further plead for the abolition of compound

interest and all forms of penal interest as being utterly unco-operative. I plead for such relief being given not only in regard to future loans, but also in regard to all your loans outstanding on date. I am prepared to defend this as a sound business proposition.

Short Term Credit.—The development of credit through rural credit societies must mainly aim at supplying the current financial needs of the agriculturists for seasonal operations, payment of kists and allied objects. Genuine short term credit for the current needs of the members can be safely expanded, even in these days of economic depression, through societies which are working satisfactorily. The members of the rural credit societies must be educated in the economic benefits of this form of credit. The development of this form of credit discourages fresh borrowings from money-lenders and favourably reacts on the problem of rural debt. If these loans are given promptly and the rules to be observed for sanctioning them are made less rigid and more elastic, cultivators will be encouraged to repay more punctually than they do now, in the confidence that they will again get a loan promptly when they require it for their cultivation operations. This form of credit, which is commonly known as short term credit, has, in many cases, to be supplemented by loans which cannot be normally repaid in an year out of the year's harvest. These intermediate loans may generally be advanced for periods ranging from two to five years, according to the purpose and the size of the loan. The most important thing to remember is that the economic implications of short term and intermediate loans are wholly distinct, for the former is repayable out of *current income* from the year's harvest, and the latter out of *savings* in the course of two to five years. They require different treatment both in lending and in collecting.

Long Term Credit.—Then comes the more difficult question of long term credit. There is now a general consensus of opinion that ordinary credit societies and central banks are not the proper agencies for providing long term credit required for liquidation of prior debts or reclamation of lands and repayable in twenty or thirty years, and that such credit must be dispensed through land mortgage banks. There are, however, unfortunately many parts in India where land mortgage banks cannot be started in the near future. I cannot speak with any authority on the conditions obtaining in Central India, Rajputana and Gwalior. I find that in the Indore State, Section 50 of the Indore Land Revenue and Tenancy Act I of 1931 permits mortgages by pattedar-tenants in favour of co-operative societies. This does not, however, remove the impediments for the formation of land mortgage banks and I hope that the question of further amending the Tenancy Act so as to facilitate the establishment of land mortgage banks will receive the earnest attention of the States in this part of India. But, if you prefer to have restraint on alienations to protect the tenants against the consequences of borrowing, then you cannot complain that you have no land mortgage banks. You must choose between the two. I am of opinion that facilities for obtaining long term credit should not be altogether denied or held up till land mortgage banks are established. The Government of the States have to take a sympathetic attitude in the matter of providing long term credit to enable the agriculturists to discharge their prior debts; otherwise the economic ruin of the agriculturists will be hastened. Where land mortgage banks cannot be established, some provision has to be made for dispensing long term credit through the existing credit organisations, with State aid and other resources, no doubt, under certain safeguards; one such safeguard is the complete segregation of the short and long term finance in these organisations, both in the matter of raising the necessary working capital and in distributing it.

Credit for Marketing.—The object of organising the producer to market his products on a co-operative basis is to increase his income and purchasing power. This is a sphere of co-operative activity which has been greatly neglected hitherto. It is, however, not purely a problem of credit. Co-operative marketing not only requires financial accommodation, but also calls for business organisation of a somewhat complicated nature and some measure of expert assistance in processes like standardization, storage, transport, risk-taking, demand creation and distribution. The organisation of marketing further requires the construction of warehouses and the creation of adequate storage facilities. These, however, seem to be yet distant ideals in India for rural co-operators to cherish and a programme too ambitious for many a co-operative institution to attempt at present. This is a matter for serious regret; but something may be done in compact States like yours and they may set an example for the British provinces. Loans judiciously advanced at very low rates of interest by the States for building warehouses for the storage of produce collected for co-operative marketing will be a very beneficent form of State aid to agriculturists; and I commend it for the favourable consideration of the authorities concerned in this part of India. Exporting houses and their agents are largely replacing the village money-lender and trader by penetrating into the interior to buy up the produce, even before it is harvested. Advances on crops are made on the spot by these agents who go there with bags of their resourceful principals' money in the season. As competition among buyers is not strong locally, the cultivator is badly hit. But, something must be done to organise the cultivators co-operatively to withstand this new danger and to obtain a fair price for his products. The problem is indeed very serious and requires expert handling.

Urban Co-operative Credit.—I am glad to find that some of your urban co-operative credit societies are doing very well indeed. The small trader, the artisan, the shop-keeper, the salaried clerk, the petty contractor, the wage-earner and similar classes of population are nowhere adequately served by the co-operative credit organisations in India. These classes of people generally borrow to take up occupations, for acquisition of household equipment, to meet household and educational expenses, to pay taxes and insurance premia and similar purposes. Accommodation for these purposes can be had from urban money-lenders only at very exorbitant rates of interest and that too mostly on the security of house property, jewellery, insurance policies, stock exchange securities and other tangible assets. If those urban classes can obtain loans from co-operative credit institutions at reasonable rates of interest and on personal security supported by the guarantee of another solvent surety, that will, to some extent, relieve growing unemployment by assisting intelligent, thrifty and enterprising young men and women to take up small but remunerative occupations. These banks can also finance small industries organised on a co-operative basis. But, for the success of those banks, their capital must rotate much more quickly than in rural societies and accumulation of overdues in their case is far more fatal to their stability. In some countries, these urban banks now do modern advanced banking, such as granting cash credits, dealing in cheques, collecting and discounting inland bills, clearing and remittance business. Some of our urban banks in India do similar business on a small scale, and I feel that they must be encouraged more and more to develop their business in this direction too.

The Reserve Bank of India and Agricultural Credit.—The provisions of the Indian Reserve Bank Act, which are of special interest to us, co-operators, are of course those which relate to the establishment of an Agricultural Credit Section

of the Bank. Mr. M. L. Darling, the Punjab Civilian and a well-known authority on Co-operation, was appointed by the Government of India to enquire into the working of the Co-operative Credit Movement in the various provinces and to make recommendations as to how the Reserve Bank could make itself useful to the agriculturists in general and to the co-operative societies in particular. His reports were received by the Government of India some months ago, but they have not been so far made available either to the public or to the co-operative institutions. I hope and trust that, before any definite action is taken on those reports, the two All-India Co-operative Organisations and the Provincial Co-operative Organisations will be consulted. The Reserve Bank must not only rediscount co-operative paper bearing the signature of approved co-operative banks, but must also extend to such co-operative banks the facilities which it gives to Scheduled Banks in regard to remittance of money by mail or telegraphic transfer between the accounts kept by its offices, branches or sub-offices.

The Co-operative Credit Banks in the Indian States have practically been left out of the scope of the Reserve Bank. Efforts to induce the Government of India to include, within the scope of the Act, at least such of the Banks in the Indian States as are considered to be sound by the Governments of the States and the authorities of the Reserve Bank, have not met with any response. The demand for such inclusion must come primarily from the Indian States and the co-operative organisations in those States. In the absence of any relationship between the co-operative banks and the Reserve Bank or the Imperial Bank, in the Indian States, the Governments must make some arrangement to provide the co-operative banks with facilities for maintaining fluid resources, so that the necessary working capital may be raised without difficulty. This is a very necessary form of State aid for the expansion of the Credit Movement.

Steps to reduce Overdues.—The question of overdues in our credit societies is, I believe, a problem which is as acute in Central India as it is elsewhere in India. The methods adopted by one province to reduce overdues may not be equally suitable for other provinces. I can only tell you what we have attempted to do in Madras. The two main lines of action adopted by us there are: (a) a careful examination of the individual loans in the primary societies in order to secure unsecured and inadequately secured debts and to give extensions in suitable cases to members where adequate security is forthcoming and (b) extending to the members of societies various concessions in order to reduce the size of their debt. The nature of the concessions granted to our members is detailed below: (1) If a borrower paid his debt before the specified date, all accumulated penal interest was waived; (2) In some cases, societies were permitted to collect only as much as was necessary to pay the outside debt and to write off the balance; (3) The rate of interest charged on new loans was lowered; (4) Central Banks were advised to collect interest at not more than 6½ per cent for 1933-34 *on all loans outstanding* against societies, provided the entire interest was paid on or before 30-6-1934; (5) Primary Societies were advised to collect interest at not more than 7½ per cent on all loans outstanding against members provided the entire interest due was paid on or before 30-6-1934; (6) As the condition of the agriculturists had not improved, the concessions stated above were extended to the end of 1934-35 also; (7) Central Banks have been advised to reduce further the rate of interest on new loans; to charge the reduced rate of interest during the current year on all outstanding loans, including those that have been decreed and also those that have not fallen due; and not to charge compound interest on interest not paid; (8) Primary societies have been advised to abolish penal interest altogether, and

also to collect on all outstanding loans from the date of last payment only the reduced rate of interest. The rate of interest on loans to members in primary societies has in most areas been reduced to 6½ per cent and in some to 6 per cent. The Department has given freedom to the societies to amend their bye-laws, if necessary, in order to give effect to these measures of relief. I am sure that similar action taken elsewhere will give tangible relief to the indebted members of the societies and will also help to bring down the overdues.

Radical Remedies for Rural Indebtedness.—The problem of providing rural credit promptly and adequately for the pursuit of agricultural occupation is, to my mind, wholly different from that of liquidation, redemption, reduction, conciliation or adjustment of standing prior debt of the agriculturists. The mixing up of rural "credit" and rural "indebtedness" has led to much avoidable confusion of thought both in envisaging the problems of rural indebtedness and in searching for remedial measures. I have already said that rural societies can deal only with *rural credit* and not directly with *rural indebtedness.* It is true that by developing a sound system of productive rural credit, the rural societies can control the growth of unproductive rural indebtedness, bring down the excessive rates of interest charged on rural finance and eventually reform, if not displace, the present system of money-lending.

But the effect of these services on rural indebtedness is indirect and not direct. In order to deal directly with indebtedness, we want either State-aid or land mortgage banks or both. There can be no doubt that land mortgage credit associations will prove a blessing to a certain class of agriculturists possessing the prescribed standards of repaying capacity, for they will be enabled to improve the margin of their savings by the replacement of prior usurious debts by loans borrowed from land mortgage banks which carry substantially lower rates of interest. But, I feel that the hopes raised in the agriculturists' mind regarding the efficacy of land mortgage banks to deal effectively with rural indebtedness, are some what extravagant. The operations of these banks cannot, even in Madras where they are working fairly well, in my opinion, be expected to touch even the fringe of the problem of rural indebtedness viewed as a whole. A careful study of some surveys made in typical areas in my part of the country, in order to ascertain the total volume of chronic debt and the proportion of it which can be handled by land mortgage banks working in the areas surveyed has revealed to me that the latter was an insignificant fraction of the former. When harnessed to debt conciliation schemes, land mortgage banks may be able to handle a few more cases of indebtedness, but will not offer any general relief to the average indebted agriculturist, for the bulk of such agriculturists are unable to furnish the security or satisfy the standards of repaying capacity prescribed by the land mortgage banks.

The root cause of rural indebtedness is chronic poverty; in other words, rural indebtedness is the result and not the cause of poverty of the rural masses. In my humble opinion, therefore, the real solution to rural indebtedness is effective State action to improve the earning capacity and economic prosperity of the agriculturists. The State by revising its fiscal and economic programme, pursuing an enlightened agrarian policy, lowering the burdens of taxation, affording protection to agriculture by tariffs and subsidies and adopting other suitable remedial measures, should remove the operation of the causes that contribute to the chronic poverty of the rural masses. This is the main line of attack of the problem of rural indebtedness. The second line of attack lies in the organisation of production and marketing of agricultural products by the States so as to make agriculture a paying industry

resulting in an increase in the margin of savings of the agriculturist. Provision for power, encouragement of industries subsidiary to agriculture, organising the transport system with due regard to the agricultural interests and the like fall under this head of action. A third line of attack which is now much talked of but in regard to which little has been done, is bold and far-reaching legislative action by the State, for the modification of the contractual and processual laws governing the determination and recovery of debts, regulation of money lending, abolition of usury by placing stringent limits on rates of interest that may be charged, the simplification of the Insolvency Law to suit rural conditions, and inauguration of schemes for compulsory conciliation and adjustment of debts. But the action attempted to be taken on these lines hitherto has been very timid; and the debt conciliation and agriculturists' relief bills so far passed by some provincial councils are very ineffective measures.

Co-operative Education.—At the meeting of the Standing Committee of the All India Co-operative Institutes' Association, held at Patna a couple of months ago, a comprehensive resolution was passed on co-operative education, and co-operators in India were exhorted to take steps to put co-operative education on sound and satisfactory basis. I wish to draw particular attention to part B of that resolution which runs as follows:—

"This Conference regrets to notice a tendency on the part of the Provincial Governments to officialise the agencies for the imparting of co-operative education and is emphatically of opinion that such a step will prove highly detrimental to the Movement. The Conference therefore urges on the Government of India and the Provincial Governments the need to arrange for co-operative education being imparted through non-official co-operative organisations and for making financial grants to these institutions for carrying out the programme of co-operative education."

It is not our intention to minimise the value of the educational work done hitherto by the Departments of Co-operation. It had its use in the early stages of the Movement, but it has outlived its usefulness. With the daily increasing burden of administrative functions, the Registrar and his men are unable to distinguish between their functions as administrators and educators. The very efficiency of the administrator with all that "control" which administration involves stands in the way of his being a good instructor and inspirer as well. Our objective shall, therefore, be to take education into our own hands and to pay as much attention to the education of our members as to our business and to produce teachers of Co-operation, who, in their turn, can train men and women who live the conscious life of co-operators consciously every minute and who are pledged to help the reconstruction of our national life through "Co-operation" whose definite aim is to bring about the social and economic emancipation of the masses. In order to centralise our programme of propaganda and education and make it effective, we must strengthen our central institutes. All types of co-operative societies must join these central associations and no fissiparous tendencies should be allowed to weaken our educational effort and social work.

I have considered it unnecessary to make any special reference to the need to enlist the sympathy of women in our cause, for they now claim, and rightly too, the right to take an equal place with men in all walks of life. If so, why should they require special invitation from men to join the Co-operative Movement?

The impact of our movement on our social and economic life is at present very feeble. But it is inevitable that it should gain volume and velocity in its march,

and a time will soon come when its momentum will be felt all round. The reason for this optimism is to be found in inexorable economic laws. The law of diminishing returns from land calls for co-operative effort for production and distribution on a new economic basis. So, it is with industries. The future call of economists and politicians, who are tired of capitalism and industrialism is bound to be for "continuous effort to maintain the vitality and fruitfulness of union" and who can respond to that call more readily than co-operators?

Resolutions passed at the Conference

1. This Conference recommends that a Committee of nine members with power to co-opt be formed and be requested to draft a scheme as to what arrangements be made for imparting co-operative education in Central India, Rajputana and Gwalior after taking note of the features of the education schemes in Madras and Punjab; but in the meantime regular classes be commenced at suitable centres under the auspices of the representative Board for employees and honorary workers. At the same time centres for training of the members of the Managing Committees (Panchayats) of village societies be formed on the lines as was done by the Bombay Provincial Co-operative Institute in the initial stages. It is further resolved that this Committee be authorised to collect funds for these.

2. This Conference suggests that Co-operation be introduced as an optional subject for the Matriculation Examination as the Matriculates will be largely recruited in the Co-operative Movement and help in its advance.

3. This Conference opines that it is necessary to make arrangements for introduction of the improved methods of agriculture for which small societies of villagers should be formed in typical villages where intensive propaganda should be made, to push forward improved seeds, compost making, eradication of *kanse* and other activities that do not involve large expenditure.

4. This Conference resolves that Village Industries Associations should be formed in suitable villages to formulate and work out such cottage and other industries like poultry, dairy, basket-making, tape-making. This Conference recommends that the scheme proposed by Prof. S. G. Patil for bee-keeping should be introduced in villages as this industry affords great scope for acceptance and as Prof. Patil is available for advice and guidance.

5. This Conference requests the various administrations and institutions in Central India, Rajaputana and Gwalior, to support and patronize the Co-operative Journals started in these areas like the *Sahakari Madhya Bharata* of Indore.

6. This Conference requests the Administrations of Central India, Rajaputana and Gwalior to organize and financially support the Co-operative Central Association or other Committees including public workers for education and propaganda for assisting in the organization of Co-operative Societies, making economic surveys and for taking up the work of rural uplift in select centres.

7. This Conference recommends to the Co-operative Central Banks and Agricultural Co-operative Credit Societies in the various States to confine initially their business to dispensing only short term credits for productive purposes and to enlarge their operations in due course to giving advances of intermediate type for other economic needs recoverable within three to five years.

This Conference further recommends to the Central Banks and Credit Societies to make such advances to the members of societies on their personal sureties

along with the conditions of handing over their produce to their societies or sale agencies appointed by them for recovery of advances due from members.

8. This Conference recommends that in places where it is not possible immediately to form Central Banks or other independent financing agencies, the Governments concerned should be requested to set apart adequate funds for starting and financing the co-operative organisations in their respective areas and entrust such funds to committees which should finance co-operative societies formed in these areas and supervise and control their work.

9. This Conference is of opinion that Branches of the Premier Bank be started in the mofussil towns to serve as financing centres for primary Agricultural Societies, instead of starting small local Central Banks.

10. This Conference, recommends that steps should be taken by every State to supplement the Central Banks by State-aided Banks of the land mortgage type (as introduced in Madras) whereby money at low interest and recoverable by small instalments will be available to them.

11. This Conference is of opinion that a separate organization with adequate long term finances be created to enable the societies and their members to repay outstanding arrears by suitable instalments according to an approved scheme and recommends that in view of the peculiar circumstances obtaining in some of the areas the necessary supplementary long term capital should be provided free of interest or at very low rates of interest by the Governments concerned; and this Conference further resolves that the Central Banks and Societies should transmit to the members of the societies the benefit of such State aid by remitting arrears of interest in whole or part according to the circumstances of each case and to remit penal interest in all cases.

12. This Conference resolves that Sale and Supply Unions be organized in the villages, to be followed up by large regional institutions of the type.

13. This Conference is of opinion that in view of the many difficulties which have arisen in working the existing Co-operative Societies Acts and Bye-Laws in Central India, Rajputana and Gwalior and in view of the material changes which the Provinces in British India have adopted in their respective laws to facilitate the working of Co-operative institutions, a Committee, be formed to examine the existing Acts and Bye-Laws and suggest suitable amendments therein.

14. This Conference requests the Government to frame a rule making it obligatory on Banks and Societies receiving deposits to maintain fluid resources according to certain prescribed standards and forms; the Registrars of various areas be vested with power to modify the standards thus laid down, if the special circumstances of any society make it necessary or desirable.

15. This Conference resolves that representation should be made to the Government of India and to the authorities of the Reserve Bank to require the Reserve Bank of India to give financial accommodation to the Apex and approved Co-operative Banks of States as in the case of Provincial Co-operative Banks in British India.

16. This Conference resolves to request the Governments of States to enter into reciprocal relations with each other for mutual and safe investments of funds of their Chief or Apex Co-operative Bank. The Conference further requests the Governments concerned to make reciprocal arrangements for effecting recovery in prompt manner, and if necessary, furnish guarantees on behalf of the borrowing Banks to the financing institutions.

17. This Conference draws the attention of the Administrations to the benefits of the Insurance method in the field of the business of small earners like peasants, country craftsmen, labourers and others and urgently requests them to utilise the existing Co-operative Insurance Societies at Indore and elsewhere which are trying to tackle the problem on the above lines.

18. This Conference calls upon the Co-operators of Central India, Rajputana and Gwalior to take necessary steps for organizing Consumers' Co-operative Stores specially for persons of limited means.

19. This Conference tenders its grateful thanks to His Higness the Maharaja Sawai Shree Yeshwant Rao Holkar Bahadur for inaugurating the Confeřence and for the sympathetic support extended by His Highness.

20. This Conference conveys its sincere thanks to the Government of His Highness the Maharaja Holkar for the kind and continuous help which the Government and the various department (such as House-hold, Gardens, Municipality and Police Departments) have rendered to this Conference.

EXTRACTS

A MESSAGE TO INDIAN CO-OPERATORS

By

Dr. C. R. Fay, M.A., D.Sc.,
Chairman, Horace Plunkett Foundation, London.

Having lived in Canada for ten years I am aware of the difficulties which arise when students are compelled to use text-books which derive their examples and their background from the experience and the mentality of another country. For Canada there must be a Canadian economics, for India an Indian economics. You in India have the further difficulty of language. If your work sometimes lacks originality, I believe it is largely due to the above two difficulties. The brain power of your students is spent on difficulties of alien background and foreign language, so that too little effort remains for original native thought. This applies to the Economics of Co-operation. You must write it yourselves from first principles. You must illustrate it from the experience and mind of your own people. You must put it sooner or later in the language which your people genuinely understand. Do not quote meaningless statistics. Reason it out in terms of human conduct. Do not waste your time in complaining of Government's shortcomings. Analyse the motives and social habits of your people. And remember that if this orderly thinking is not done in the class-room of the University, it will be done nowhere. Co-operative education must issue from the University. It is a part of economics and history, and should be handled by those who handle these subjects. For example, I, at Cambridge, teach Co-operation (a) as part of my economics history courses, (b) as part of my course on the organisation of agriculture.

In teaching Co-operation, the principles are all-important. Co-operation means active working together, active membership in a living society. Never start a Society which is a passive channel for the receipt of Government. This is an insult to the cause of co-operation and a foolish waste of Government money. Co-operation further means common enjoyment. The democratic element in it is this, that all benefit in proportion to the use which they make of their society. Thus if a man is in a store, he must benefit in proportion to the goods he buys at his store ; and this means that all profit, over and above a small return, say 5 per cent. to capital *must* be returned to the consumer-members as a dividend on purchases. If he is in a milk-selling society, the members must be paid according to the quantity and quality of the milk he delivers, and all receipts, over and above a fixed return to capital, must go to the milk-supplying members.

There is no chance of a co-operative society achieving permanent success, if its main purpose is to cut prices. If it is a store or a society for the supply of agricultural requisites, it must charge the current market rate ; otherwise it cannot earn a purchases dividend for its members.

But the last and most important thing of all is a right attitude towards credit. For a townsman earning regular wages, credit trading is always wrong. It ruins the society or lames its growth at least. For if a society does not sell for cash, it cannot buy for cash. If it cannot buy for cash, it cannot buy freely and cheaply :

and it cannot earn a decent purchases dividend for its consuming members. From this there is no escape. For a countryman credit, both long-term and short-term, is necessary, but it should be granted with the greatest care and watched until it is repaid. It would be better for a government to run rural credit on severe business lines without any pretence of co-operation than for a co-operative society to issue credit carelessly, with government support in the background. There is great scope for what is really a form of consumers' society, the building society. This should be operated as a special form of co-operation; and once again, advances should be made with caution, and repayment rigidly enforced. This apparent severity is the only true kindness in the long run.—*The Mysore Economic Journal, November 1935.*

DEBT CONCILIATION BOARDS IN C. P.

"Up to the end of August 1935, the Boards had conciliated debts amounting to Rs. 128.33 lakhs for Rs. 76.65 lakhs, thus effecting a remission of 44 per cent of the claims. Besides this, certificates under Section 15 (1) of the Act, declaring that the creditors had unreasonably refused amicable settlement, had been issued in 2,108 cases for claims amounting to Rs. 23.94 lakhs.

One of the most successful of these Boards was the one at Seoni which was constituted on the 15th July 1933 and the operations of which were closed on the 15th July 1935. In reviewing the report of its Chairman, Rao Sahib N. R. Chandorkar, the C.P. Government point out that during its life of two years the Board received no fewer than 4,943 applications amounting to Rs. 89·97 lakhs. Of these 501 applications involving debts amounting to Rs. 15·98 lakhs were dismissed under section 7 (1) of the Debt Conciliation Act and 270 applications covering debts of Rs. 9.12 lakhs were dismissed under section 14 as no settlement could be arrived at with the creditors. In 2,784 cases conciliation was effected. The claims which amounted to Rs. 44.40 lakhs were settled for Rs. 25.75 resulting in a remission of 42 per cent of the demand. In 542 cases involving Rs. 5.99 lakhs, certificates were issued under section 15 (1) declaring that the creditors had unreasonably refused amicable settlement.

But the work of the Board was really much more than is indicated by the figures given above. In the case of big mortgage loans the scheme of equated payment was not found suitable, but what was found suitable was the transfer of a portion of the mortgaged property. Such settlement was effected in 70 per cent of the mortgage debts, but it was done 'unofficially,' so to speak. There were also some cases in which more than Rs. 25,000 was involved, which were conciliated by the chairman informally. In all places the activities of the Boards have stimulated private conciliation of debts. The review states with satisfaction that the operations of the Boards have not resulted in any appreciable restriction of agricultural credit for current needs. The C. P. Government recognise that the success of the Board was due largely 'to the unselfish sacrifice of time and trouble which its members made ungrudgingly'."

CO-OPERATIVE DOMINANCE IN AMERICAN FARM SUPPLIES

Of the two billion dollars worth of farm supplies used by American farmers, fully 250,000,000 dollars, or one eighth, is now purchased co-operatively, according

to a bulletin just published by the Co-operative Division of the Farm Credit Administration. There are twenty-five large co-operative associations, each of which does a farm supply business of more than 1,000,000 dollars a year. Their total supply business is well over 100,000,000 dollars. In addition, more than 100 other associations have annual volumes of over 100,000 dollars. Several thousand smaller co-operatives brought the total farm supply purchases up to approximately 250,000,000 dollars a year.

Several of these associations are expanding their fields of activities to include housing, groceries and general merchandise as well as general farm supplies.

The co-operative distribution of farm supplies was a 125,000,000 dollar non-profit business in 1929. The intensity of the depression has stimulated greater co-operative action and as a result the American farmer, the "most rugged of rugged individualists," has doubled the amount of his co-operative business and plunged into new fields of co-operative activity.

These statistics do not include co-operative marketing of farm products, which has already become a billion dollar business.—

The Link, Dec. 4, '35.

IMPLICATIONS OF FEDERAL CONTROL

In his welcome address to the recent session of the Madras Provincial Co-operative Conference, Mr. V. Ramadas Pantulu referred to the loss of faith in themselves on the part of non-official co-operators as the most distressing feature of the co-operative movement to-day, this mental depression, in his opinion, being fraught with greater danger than even the prevailing economic depression. The first and foremost reform that was now called for was a mental reconstruction among official and non-official co-operators and a resurrection of faith in the fundamental doctrines of co-operation. Mr. Ramadas Pantulu deplored the absence of cohesion in the several units of the co-operative structure. These units presented the picture of so many isolated bodies each claiming its own autonomy instead of all looking upon themselves as integral parts of a single organisation. For this reason, any attempt at centralization of policies or co-ordination of effort in any particular sphere was resented as offending against the autonomy of individual institutions. Unless, therefore, radical alterations were effected in the structure so as to integrate it there could be in Mr. Ramadas Pantulu's view, no tangible improvement in the present position. Then alone, one must admit, would it be possible to resist the encroachments of the State within the domain of the co-operative commonwealth and to prevent the growing tendency on the part of the Co-operative Department to interfere in matters of internal autonomy. Then alone would it be possible for co-operators to counter the attempts made by Government to multiply credit agencies, introducing departmentalisation of finance instead of strengthening the framework of the existing agencies by concentration of effort, co-ordination of activities and centralization of policy. This is very pertinent advice, not only for Madras but for other provinces as well; because unless we, co-operators, appreciate the implications of federal mutual control and direction, co-operators in all provinces will forfeit their precious privileges of freedom of initiative and democratic control and will make their institutions more and more subject to official domination and bureaucratic control.—

The Bombay Co-operative Quarterly, December 1935.

CO-OPERATIVE NEWS

COMMITTEE OF ENQUIRY IN MYSORE STATE

The Government of Mysore have constituted a Committee to enquire into the present state of the Co-operative Movement and to make recommendations in regard to future lines of its development.

Rajadharmapravina Dewan Bahadur K. S. Chandrasekhara Aiyar, B.A., B.L., Retired Chief Judge of Mysore—*Chairman.*

Mr. A. V. Ramanathan, B.A., Chief Secretary to Government; Mr. M. G. Mehkri, B.A., LL.B., Registrar of Co-operative Societies in Mysore; Rajasevasakta Mr. R. Ranga Rao, B.A., B.L., Retired Chief Secretary to Government; Mr. K. Chengalaraya Reddy, B.A., B.L., Member, Legislative Council, and President, District Board, Kolar; Mr. A. Krishna Rao, B.A., B.L., Advocate, Mysore; Mr. B. N. Natesan, B.A., Survey of India, Bangalore; Mr. J. M. Imam, B.A., Advocate, Jagalur; Mr. N. Sesha Sastri, B.A., B.L., Advocate, Shimoga; and Rao Saheb C. S. R. Rao, Representative of the *Statesman*, Bangalore.—*Members.*

Mr. N. Madhava Rao, B.A., Assistant Secretary to Government, Public Offices, Bangalore—*Secretary.*

ENQUIRY COMMITTEE IN HYDERABAD STATE

There is a certain amount of dissatisfaction in the Nizam's Dominions that the Co-operative Movement is not working properly, particularly in the rural areas. The Government have therefore decided to appoint a Committee consisting of seven leading co-operators of India and Mr. M. S. Fazlulla, Registrar of Co-operative Societies, Hyderabad, to enquire and report on the working of the Movement and make any recommendations which they think necessary.

THE EIGHTH ALL-TRAVANCORE CO-OPERATIVE CONFERENCE

The Eighth All Travancore Co-operative Conference was held at Trivandrum on the 14th to 17th January 1935 under the auspices of the Trivandrum Central Co-operative Bank. Mr. V. Ramadas Pantulu, President of the All-India Co-operative Institutes' Association, presided over the Conference. The proceedings of the Conference and our comments thereon will be published in the next issue of the Review.

THE INDORE PREMIER CO-OPERATIVE BANK

The authorities of the Indore Premier Co-operative Bank have to be congratulated on the opening of their new bank buildings on the 27th November 1935. The Bank is about nineteen years old and all along it had been housed in the King Edward Hall, Indore, thanks to the courtesy of the authorities of the State. Owing to the expansion of its activities, the need for a building of its own was felt by the bank, and it has put up an imposing building on the Mal Godown Road, Indore.

Mr. M. B. Rege, Chairman of the Board of Directors of the Bank, welcomed those present. Rai Ratan A. G. Sherlekar, Manager of the Bank, read out a statement reviewing the working of the Bank. Her Highness the Maharani Saheba Holkar of Indore opened the building amidst cheers. His Highness the Maharaja Holkar of Indore also graced the occasion by his presence.

THE LATE MESSRS. V. C. RANGASWAMI AND T. K. HANUMANTHA RAO

Madras has lost all of a sudden in the last week of January 1936 two of its foremost co-operators, Rao Sahib T. K. Hanumantha Rao and Mr. V. C. Rangaswami. The Rao Sahib was one of the 14 Pioneers of the Triplicane Urban Co-operative Society, the premier Co-operative Store in India, and was the soul of the Consumers' Movement in South India. Mr. Rangaswami was for well nigh a quarter of a century the Secretary of the Madras Provincial Co-operative Bank, of which his father was one of the Pioneers and for some time Secretary. He was connected with the Indian Provincial Co-operative Banks' Association as a member of the Standing Committee and Secretary for sometime.

ACKNOWLEDGMENTS

Journal of the Ministry of Agriculture, London.
Scientific Agriculture, Ottawa.
Consumers' Co-operation—U.S.A.
Monthly Bulletin of Agricultural Economics and Sociology—International Institute of Agriculture, Rome.
The Co-operative Review, Manchester.
The Madras Journal of Co-operation.
The Bombay Co-operative Quarterly.
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The United Provinces Co-operative Journal.
The B & O. Co-operative Journal.
Journal of the Annamalai University.
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The Nagpur Agricultural College Magazine.
Indian Finance.

SELECT CONTENTS OF CURRENT PERIODICALS

Review of International Co-operation, London, Dec. 1935.

Retail Distribution in U.S.S.R.—I. C. A. Economic Research.
Relation between Consumers', Agricultural and Artisanal Co-operative Societies. By Dr. G. Mladenatz.
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The Bengal Co-operative Journal, Oct.-Dec., 1935.

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Bengal Agricultural Debtors' Bill—The Position of Co-operative Societies. By D. L. M.

The B & O. Co-operative Journal, Dec. 1935.

Co-operative Education—A Scheme. By Babu Shyam Sundar Lal.

What Economists say of the Indian Co-operative Review

Sir J. C. COYAJI, Bombay.

It is an excellent publication and I congratulate you on bringing it out. It will certainly do a great deal for the cause of Co-operation in India. I am sure that the libraries of colleges in India will benefit by having its files on their shelves for the use of students and teachers.

Prof. PRAMOTHNATH BANARJEA, Calcutta.

Allow me to congratulate you on the excellence of the *Journal.* I hope the venture will be a complete success.

Prof. C. N. VAKIL, University Professor of Economics, Bombay.

The Indian Co-operative Review, is a quarterly journal issued by the All-India Co-operative Institutes' Association. It is ably edited by the well-known co-operator, Mr. V. Ramadas Pantulu, and the contributions are of a high order from the pen of those who have personal knowledge of the working of the movement in the country. It is the best journal on the subject, and students of Economics and Co-operation will find it useful and interesting.

Prof. P. J. THOMAS, University of Madras, Madras.

I have read all the numbers of the *Co-operative Review* with great interest. They contain articles of great value and will be read with advantage by all Economics students of Indian Universities. Each number is a store-house of information on rural economic subjects. The *Review* ought to interest not only students but legislators and all public men, irrespective of their politics.

Dr. P. S. LOKANATHAN, Reader in Economics, University of Madras.

I have been a regular reader of the *Indian Co-operative Review* since its inception and am impressed both by the range of its contents and the quality of its articles. It undoubtedly fills a gap in the material available for studying the progress of Co-operation in India from year to year. It will soon prove to be an indispensable source of reference to teachers and students of Indian Co-operation, who have been long looking forward to a Journal of this kind which will give up-to-date information of a kind which cannot be found in any published book on the subject.

Prof. J. C. SINHA, Senior Professor of Economics, Presidency College, Calcutta.

I thank you for a copy of the *Indian Co-operative Review*, October 1935, which I have read with great interest. Co-operation is now a provincial subject and several Indian provinces have passed Acts in local legislatures for regulating the movement. An All-India jouranal on Co-operation is therefore badly needed for co-ordinating the activities of the movement in different provinces. Your *Review* admirably meets this requirement. Apart from this, it will be very useful to Economics students in our colleges and Universities who have to study this great movement on which rests the main hope of Rural India. Many of the articles and especially the extracts from Annual Reports on the Working of Co-operative Societies in different provinces should be of great value to our B.A., and M.A., Students in Economics.

What Economists say of the Indian Co-operative Review

Prof. J. C. NIYOGI, Minto Professor of Economics, Department of Economics, Calcutta.

I have read the *Indian Co-operative Review* with great interest and appreciation. It is an excellent Journal for College Students taking an interest in India's economic problems. The high standard of the articles publshed in the *Review* and the varied nature of its contents must carry a special appeal to all interested in the Indian Co-operative Movement.

Prof. V. L. D'SOUZA, The University, Mysore.

I have been a regular reader of the *Review* right from the first number. It has been introduced to the class rooms in our University, and the students of Economics, particularly those taking Rural Economics and Co-operation are advised to go through the numbers. The authorities responsible for the publication of the *Review* are rendering a real service to the people in general and students of the subject in particular by placing before them periodically an account of the progress of the Movement in India and a bright and illuminating discussion of the current problems of Co-operation. The articles are eminently readable and thoughtful.

Prof. GURMUKH N. SINGH, Professor of Economics and Political Science, Benares Hindu University.

The Indian Co-operative Review edited by Mr. V. Ramadas Pantulu from Madras is really a high-class, up-to-date, well-got-up and a very useful publication which deserves full sympathy and support. The *Review* is particularly valuable to students of economics in this country, who can get a real insight into the Indian Co-operative Movement and keep in constant touch with all developments in it by reading its pages regularly. *The Indian Co-operative Review* ably discusses the important problems that beset the movement in this country, furnishes light on them by drawing upon the experiences of other lands, and offers suggestions for their solution. It is a good guide to both the practical co-operator and the academic student. No departmental library of Economic in a University or College in India can afford to do without it.

Dr. B. N. KAUL, Chairman, Department of Economics, Muslim University, Aligarh.

I have seen recent numbers of *The Indian Co-operative Review*. I consider it a journal which deals with co-operative questions in a learned manner and with academic detachment. It is the only All-India journal on co-operation. It is published with the backing of all important co-operative interests in India. I think this journal will be of great use to students interested in the study of co-operation. It will help them to acquire a realistic view of the problems which co-operation has to face. Every library of an institution which provides courses in Economics and Co-operation should be provided with this journal.

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